

Charlie Peters 3/26/2013

Automakers ask Supreme Court to take up ethanol challenge

By David Shepardson, Detroit News, March 26, 2013 at 9:43 am

New York — Major automakers asked the U.S. Supreme Court to hear a challenge to the Environmental Protection Agency's decision to approve a higher blend of ethanol for vehicles from 2001 and newer.

The Alliance of Automobile Manufacturers — which represents Detroit's Big Three automakers, Toyota Motor Corp., Volkswagen AG and others, the Association of Global Automakers — the trade association representing many major foreign automakers and the Outdoor Equipment Institute and the National Marine Manufacturers Association filed a petition late Monday asking the U.S. Supreme Court to overturn the D.C. Circuit Court of Appeals' August decision that none of the trade associations or parties had the legal standing to challenge approval of E15.

The groups are challenging the EPA's decision in early 2011 to grant partial waivers approving the sale of gasoline containing 15 percent ethanol for 2001 model year and newer passenger cars and light trucks.

"Automakers' greatest concern continues to be customers. It is critical that consumers have a positive experience with renewable fuels, which are an important component of our national energy security. It is not in the longer term interest of consumers, the government, and all parties involved to discover, after the fact, that equipment or performance problems are occurring because a new fuel was rushed into the

national marketplace," the alliance said.

The battle over ethanol in gas tanks has been going on for several years.

Last month, House members and advocates for vehicle owners sought more testing before E15 is more widely used.

Rep. Chris Stewart, R-Utah, who chaired the Science Committee's environment panel that held a hearing, said the fuel needs more study.

"Unfortunately, the more E15 is studied, the more concerns are identified. In addition to potential widespread impacts on vehicle engines, EPA has led a haphazard transition to E15 usage marked by regulatory confusion, bungled implementation, and a lack of consumer education," he said.

The EPA has approved the use of E15 for vehicles from the 2001 model year or newer, but didn't approve its use for older vehicles, non-road engines, vehicles, and equipment, motorcycles, or heavy-duty gasoline engines.

Many automakers — including Chrysler Group LLC — haven't approved the use of E15 for new vehicles and some say its use will invalidate warranties.

Fuels America, an ethanol advocacy group, has defended the fuel E15 as "the most tested fuel, ever, and the auto industry failed to provide a single example of

problems with drivability during the DOE's testing process."

The group said opposition "is about oil company's efforts to retain control over America's fuel supply," they said. "E15 is a safe, clean, high-quality fuel that has the potential to drive our country toward a cleaner, more secure energy future."

A handful of stations in Nebraska, Kansas and Iowa are selling the fuel that has more corn-based fuel than the E10, a blend that's 10 percent ethanol and 90 percent gas, sold at about 96 percent of pumps across the country and certified for use by all vehicle engines.

AAA President and CEO Robert Darbelnet, who heads the motor club that represents 53 million drivers, said just 5 percent of vehicles on U.S. roads are approved to use E15.

"AAA believes it is both premature and irresponsible to sell E15 to consumers while these issues remain unresolved," he said last month.

A bill being circulated in Congress would require the EPA to ask the National Academy of Sciences to assess the state of science on E15, including research needs, recent testing and consumer education.

AAA supports the proposal as "an important first step in resolving some of the outstanding questions about the impact of E15 use," Darbelnet said.

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<http://www.detroitnews.com/article/20130326/AUTO01/303260382/Automakers-ask-Supreme-Court-take-up-ethanol-challenge?>

CAPP contact: Charlie Peters

Putting E85 in a Gas-Only Car

Tuesday, March 26, 2013

Mr. Bureau of Automotive Repair, (BAR) Chief, John Wallauch:

The oilies may sell more oil for more profit.

BP-DuPont GMO fuel patents may increase fuel market by about 20-30% and in your home water tap GMO fuel may get legal water market action.

GMO food may result in Monsanto market share with farmers.

The Big boss (*Governor Brown*) may help California become the prime oil & gas marketer in the world, he may be on a sales trip to China soon.

Oilies might like methanol as the energy carrier for the H2 highway

Some PhD s look at zero sum but we may have enough to share.

Charlie

-----Original Message-----

From: "

Sent: Mar 25, 2013 11:29 AM

To: "

Subject: RE: From the OFS: Putting E85 in a Gas-Only Car

Hi Charlie, why do these guys want to embrace these alternate fuels! If they would take the time to understand that there is approximately a thirty percent loss in performance with a corresponding increase in fuel usage, they would leave it alone.

From: (

Sent: Sunday, March 24, 2013 12:51 PM

To:

Cc: Stella Pyrtek-Blond

Subject: Fw: From the OFS: Putting E85 in a Gas-Only Car

John Wallauch:

I'm confused, can (BAR) get support to improve PZEV CARB performance?

Charlie Peters

-----Forwarded Message-----

From: Open Fuel Standard

Sent: Mar 24, 2013 5:04 AM

To:

RE: Putting E85 in a Gas-Only Car

<http://www.openfuelstandard.org/2013/03/putting-e85-in-gas-only-car.html?>

CAPP contact:

California pilot plant to make ethanol from 'energy beets'

By Mark R. Whittington, Clean Energy Examiner, Mar. 24, 13

According to a March 23, 2013 story in the Associated Press, the latest experiment for producing ethanol that is mixed with gasoline thanks to a federal mandate involves something called "energy beets." These are beets that are genetically modified for optimal conversion to ethanol.

A dozen farmers in California, supported by a group of academics and a \$5 million state grant, propose to build an energy beet conversion plant. Currently most ethanol in the United States is made from corn, but using energy beets instead would have certain advantages.

First, beets have an higher sugar content than corn, meaning that it would yield ethanol at twice the rate.

Second, beets have an advantage over corn because, thanks to a collapse in sugar prices, they have almost vanished as a food crop as a source of sugar. Corn is used in a variety of food, both directly and as fodder for livestock. Using corn for ethanol has tended to drive up food prices. If beets and other less popular crops are used instead, the price pressure on corn would be alleviated.

Finally beets can grow in poor and salty soils and use lower quality water.

The ethanol refinery would waste pulp from the beets to create biomethane and would also generate fertilizer and recycled water.

<http://www.examiner.com/article/california-pilot-plant-to-make-ethanol-from-energy-beets5>

BP GMO fuel affect the beef?

CAPP contact: Charlie Peters

Ethanol mandates stir backlash

Oil industry says plans to boost use in U.S. will raise gas prices

By David Shepardson, Detroit News, March 23, 2013

Washington — The battle over ethanol is heating up: Opponents say mandates to increase the amount of the renewable fuel in the nation's gasoline supply could add billions of dollars to American drivers' fuel bills. And congressional leaders plan to take a second look at a 2007 law that mandates ethanol.

It's the latest in the ongoing war of words between corn growers and the oil industry over how much corn-based fuel should be used in the nation's 240 million gas tanks.

Under the 2007 law, the nation is increasing ethanol use in vehicles to 15.2 billion gallons this year, up from 5 billion gallons in 2007. By 2022, the U.S. must use 36 billion gallons of biofuels, with 21 billion gallons of that from advanced cellulosic ethanol made from sources other than corn.

The American Petroleum Institute, which is the oil industry's lobbying arm, says the rising mandates by 2015 could boost the price of diesel fuel 300 percent and hike gas prices 30 percent. It says the current jump in prices for ethanol credits could add 10 cents to the price of a gallon of E10 (which is 10 percent ethanol) at the pump.

Refiners can buy credits rather than actually blending ethanol in fuel. Since January, the price of ethanol credits has jumped: Generally below 10 cents per gallon, they have climbed to as high as \$1.10 earlier this month. They have since fallen to around 70 cents.

The price of credits has risen because cars are more fuel efficient and gas prices remain high. As a result, Americans are using less fuel than predicted. But mandates for the amount of ethanol that must be used are the same. So refiners are buying credits rather than boosting the concentration of ethanol above 10 percent.

Most automakers oppose the use of higher blends of ethanol in most vehicles, saying it could damage engines. Without higher blends, the U.S. will reach the "blend wall" this year and won't be able to meet the law's requirements, the oil industry says.

Under current mandates and current prices, that could add about \$10 billion to the price of fuel this year.

Sen. Ron Wyden, D-Oregon, who chairs the Energy and Natural Resources Committee, in a letter

Thursday to the Environmental Protection Agency, asked it to look into price spikes in ethanol credits.

"American consumers saw gasoline prices climb over the last six months to their highest-ever autumn and wintertime levels," Wyden wrote. "Given that ethanol is an increasingly important factor in the cost and supply of motor fuel in the United States, it is critical that the committee have a better understanding" of the issue.

Oil companies want Congress to revise the mandate.

"Ethanol and other renewable fuels have an important role to play in increasing America's energy security ... But the federal RFS (renewable fuel standard) is ill-conceived and irretrievably broken," said Bob Greco, an API official.

The Fuels America Coalition — a backer of ethanol — said the attacks are really about oil companies opposing competition.

"The oil industry has been complaining about the renewable fuel standard, yet they are the ones who failed to invest in the infrastructure necessary to avoid the compliance mechanism that has them up in arms," the group said. "Why are they buying compliance credits rather than lower-

cost ethanol? Why are they blaming the renewable fuel industry for a so-called problem they themselves created?"

The House Energy and Commerce Committee said this week it will review the law. "It has been more than five years since the RFS was last revised, and we now have a wealth of actual implementation experience with it," the committee's Republican and Democratic leaders said.

Last year, the EPA rejected a request from eight governors and nearly 200 members of Congress to waive requirements for use of corn-based ethanol in gasoline, after last summer's severe drought wilted much of the nation's corn crop.

Automakers have clashed with ethanol advocates and opposed boosting the percentage of ethanol. They argue that higher concentrations of ethanol in gasoline — which may be necessary in order to meet stepped-up minimums for annual ethanol usage — can harm engines in most vehicles on the road today.

To use the ethanol required, the EPA has approved the use of a higher blend of ethanol fuel called E15 — which is 15 percent ethanol — up from E10 used at most pumps today. Just a handful of stations sell E15.

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<http://www.detroitnews.com/article/20130323/AUTO01/303230320/Ethanol-mandates-stir-backlash?>

CAPP contact: Charlie Peters

Calif. farmers team up to convert beets to ethanol

By Gosia Wozniacka, (A. P.), Mercury News, 03/23/2013

FIVE POINTS, Calif.—Amid the vast almond orchards and grape fields that surround Five Points in California's Central Valley, a once-dominant crop that has nearly disappeared from the state's farms is making a comeback: sugar beets.

But these beets won't be processed into sugar. A dozen farmers, supported by university experts and a \$5 million state grant, are set to start construction of a Fresno County demonstration plant that will convert the beets into ethanol.

If the demo project in Five Points succeeds, the farmers will build the nation's first commercial-scale bio-refinery in nearby Mendota to turn beets into biofuel. Europe already has more than a dozen such plants, but most ethanol in the U.S. is made from corn.

California energy officials say the beet plant is an example of expanding state investment in biofuel production and an innovative way to achieve the state's goal of increasing alternative fuel use over the next decade.

"We're trying to reduce greenhouse gas emissions and to shift our transportation fuels to a lower carbon content," said Robert Weisenmiller, chair of the California Energy Commission, which awarded the grant. "The beets have the potential to provide that."

The farmers say so-called energy beets can deliver ethanol yields more than twice those of corn per acre. That's because beets have a higher sugar content per ton than corn. And, the farmers say, the bio-refinery would bring jobs and investment to an area that's dealing with water pumping restrictions and overly salty soils.

"This project is about rural development. It's about bringing a better tax base to this area and bringing jobs for the people," said John Diener, a grower who farms about 5,000 acres of diverse crops in Five Points and whose ranch will house the demonstration plant.

Driven by a federal mandate to reduce dependence on foreign oil, America's ethanol industry has boomed over the past decade. Plants in 28 states now produce more than 13 billion gallons of ethanol each year, according to Geoff Cooper, vice president for research and analysis for the Renewable Fuels Association. Today, nearly all the gasoline sold in the U.S. contains the biofuel, generally at the 10 percent level.

About 95 percent of U.S. ethanol is made from corn, Cooper said. But that percentage could soon change because the Renewable Fuel Standard, established by Congress in 2005 and later expanded, caps the amount of ethanol produced from corn at 15 billion gallons.

Dozens of non-corn ethanol plants are now being developed and constructed throughout the country, experts say. Other California projects involve producing biofuels from food processing wastes, remains from field crops and manure from the dairy and poultry industries. Across the U.S., plants are looking at converting wheat straw, municipal waste and wood pulp into biofuel.

In central California, the bio-refinery would resurrect a crop that has nearly vanished. The birthplace of the sugar beet industry, California once grew over 330,000 acres of the gnarly root vegetable, with 11 sugar

mills processing the beets. But as sugar prices collapsed, the mills shut down. Only one remains in the Imperial Valley.

When the last local mill in Mendota closed in 2008, farmers formed a cooperative and tried—unsuccessfully—to buy it back.

"We were left with a choice: Are we going to build our own sugar mill, which is expensive, or come up with something else?" said William Pucheu, a farmer from Tranquility who is part of the cooperative.

The farmers flew twice to Europe to tour beet-based biofuel facilities. This month, Mendota Bioenergy LLC—the company formed by the cooperative—received a grant to build the demo plant, which will turn about 250 acres of beets into 285,000 gallons of ethanol per year.

If it's successful, a commercial bio-refinery would be built in Mendota, capable of producing 40 million gallons of ethanol annually. The bio-refinery, to debut in 2016, would put a total of about 80 beet growers and 35,000 acres back into production.

Both the demo plant and the commercial plant would run year-round and use beets grown by local farmers. The plants will also burn almond prunings and other wood waste to generate electricity for internal use and will convert some of those prunings into ethanol.

They will process waste pulp from the beets to produce biomethane for compressed natural gas, and will produce fertilizer and recycle water for irrigation.

To area farmers, the beets are an ideal

crop: they grow in poor and salty soils, and can use lesser-quality water, said Frank DeITesta, a third generation farmer who used to grow 150 acres of beets in Tranquility and is now growing some for the demo plant.

"Everybody liked growing beets, because they grew well here," DeITesta said. "My family has been growing beets for generations and not having that crop in our rotation has affected the yields for other crops like cotton."

And it's not just farmers who would benefit, said project manager Jim Tischer. The group's projections show the bio-refinery would create about 100 long-term jobs, as well as 150 seasonal agricultural jobs. It would lead to millions of dollars of local economic activity and generate taxes—a boon to Mendota, Tischer said, a town of 11,000 with one of the highest unemployment rates in the state.

The beet project comes at a time when the Midwest drought has reduced corn's availability, leading nearly three dozen corn ethanol plants to halt production. At the same time, there are plenty of stockpiles of ethanol, experts say, because Americans are driving less and buying more fuel-efficient cars.

But the beet farmers say they aren't worried, because ethanol is cheaper than regular gasoline.

"As times goes by, customers will start buying more of it," Diener said, "because at the end of the day, it's a cost saving deal and others are motivated by the ethics of the green energy business."

http://www.mercurynews.com/news/ci_22855974/calif-farmers-team-up-convert-beets-ethanol

CAPP contact: Charlie Peters

Turning Beets Into Ethanol: California Farmers Team Up For Unique New Project

By Gosia Wozniacka, The Huffington Post, March 23, 2013

FIVE POINTS, Calif. -- Amid the vast almond orchards and grape fields that surround Five Points in California's Central Valley, a once-dominant crop that has nearly disappeared from the state's farms is making a comeback: sugar beets.

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an area that's dealing with water pumping restrictions and overly salty soils.

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http://www.huffingtonpost.com/2013/03/23/beets-ethanol_n_2940868.html

CAPP contact: Charlie Peters

Refiners hit 'blend wall' with ethanol. Now what?

Prices of ethanol credits have skyrocketed 1,400 percent as refiners get stuck with ethanol that they can't profitably blend with gasoline. Courts may take up fairness of renewable fuel standard, which has caused the glut.

By Robert Rapier, Christian Science Monitor / March 22, 2013

Last week, US refiners suffered a bit of a setback as the cost of complying with US ethanol mandates skyrocketed. The Financial Times recently reported that the price of ethanol credits has risen 1400 percent -- from pennies to more than a dollar each -- since the beginning of 2013. This situation was set into motion nearly a decade ago when the Energy Policy Act of 2005 created a Renewable Fuel Standard (RFS) requiring 7.5 billion gallons of renewable fuel - primarily corn ethanol - to be blended into the fuel supply by 2012.

Why It Matters

Energy: Federal rules are forcing refiners to buy ethanol they can't use. identifies and analyzes risks and opportunities, offering subscribers an inside track to sectors and companies affected by developments in the energy industry. For a free subscription, click [here](#).

In 2007, an updated Renewable Fuel Standard - the RFS2 - accelerated the renewable fuel adoption schedule. Instead of 7.5 billion gallons by 2012, the new law required 9 billion gallons by 2008, soaring to 36 billion gallons by 2022.

The RFS2 would ultimately set up an untenable situation. If gasoline blenders - primarily oil refiners - failed to comply with blending the mandated ethanol volumes, then the blenders were required to buy credits based on their shortfall. The credits used in the renewable fuels program are based on Renewable Identification Numbers (RINs). Peter Gross, a renewable fuels expert at the US Energy Information Administration (EIA) explained to me how RINs work in response to an email query:

All obligated parties (refiners and importers of refined fuel products) must satisfy their "renewable volume obligation" (RVO) which is essentially their share (based on how much fuel they produce or import) of the total renewable fuel that must be used [RR: For 2013 the proposed volume is 16.55 billion gallons.] Volumes of blended renewable fuel are assigned RINs (renewable identification numbers). If a particular party cannot blend their share, they may buy these RINs from parties that have over complied on their RVO (though some alternatives exist such as carrying a RIN deficit for one year or using one's own excess RINs from the previous year). In any case, every year every obligated party is required to document its RINs and show that they have the same or more than their RVO to the EPA. If they don't, they can carry a deficit as mentioned earlier or they will be penalized by the EPA.

The framework of the RFS2 set up a future collision with the "blend wall." This man-made hazard stems from the fact that Americans are burning less gasoline than we used to, so that meeting the EPA's ethanol mandate would require a higher ethanol content than the current allowable maximum in regular gasoline.

When the RFS and RFS2 were being composed, Americans used about 140 billion gallons of gasoline per year. This created a cap on the consumption of ethanol at about 14 billion gallons of ethanol based on the 1978 gasohol waiver by the EPA that set the maximum legal limit at 10 percent ethanol.

But the ethanol consumption quotas assumed that gasoline demand, and therefore ethanol use, would continue to grow. Instead, the

passage of the RFS2 coincided with a period of record fuel prices, so US demand for gasoline fell from 142 billion gallons in 2007 to 133 billion gallons by 2012. Accelerating ethanol mandates and falling gasoline demand meant that the blend wall was reached earlier than expected. According to the EIA, the 10% ethanol volume limit was reached in June 2011.

But ethanol producers still had two avenues for increasing sales. The first was the E85 fuel standard for flex-fuel vehicles, boosting ethanol content in such fuel to 85 percent. However, because of a lack of fueling infrastructure, an insufficient fleet of flex fuel vehicles and, perhaps most importantly, uncompetitive pricing -- the E85 market has been very slow to develop.

The second option available to ethanol producers wishing to hurdle the blend wall is to export. And, in fact, ethanol exports soared once the blend wall was reached. This practice was especially controversial because it was widely reported that US taxpayers were subsidizing this practice. I discussed the reasons for the controversy in a series of articles in 2011 and 2012.

But the ethanol lobby found a third way, by petitioning the EPA to raise the allowable limit on ethanol content in conventional gasoline to 15 percent. If this higher ethanol concentration were mandated, it would immediately increase ethanol's market potential in the US by 50 percent.

The E15 push was opposed by automakers, oil companies, food producers and environmental groups. Each lobby opposed the higher limits on different grounds, with automakers concerned about vehicle damage from using E15 in automobiles that weren't designed for that concentration of ethanol. (Ethanol is more

corrosive than gasoline, and while these corrosion issues can be addressed, cars that weren't designed for higher levels of ethanol can be damaged.)

Despite the protests, the EPA ultimately approved E15 for use, initially for model year 2007 and newer cars and light trucks, and later expanding that for use in 2001 and later models. However, since it was allowed and not mandated -- and damage could still result from using E15 in boats, motorcycles, small engines, and older cars -- I predicted that adoption of E15 would be close to zero.

In fact, that is exactly what has happened, which means that the blend wall has become a serious issue pitting government aspirations against economic realities. Gasoline blenders are now being asked to blend impossible volumes of ethanol into the fuel supply given the lack of wide acceptance for E15 or E85. Because they must purchase RIN credits if they don't meet these obligations, the price of the credits has soared and the cost of compliance has risen sharply in recent weeks.

This not only hits the refiners' bottom line, but also encourages them to export fuel, since exports are exempt from the ethanol blending requirements. The increasingly untenable ethanol mandate has been recently cited as one of the factors behind the earlier-than-normal gasoline price rise thus far in 2013.

The issue of skyrocketing RIN prices has received a good deal of media attention recently and, like the controversial EPA penalties on refiners for failing to blend the nonexistent cellulosic ethanol, this one is likely to end up in court as well. The profit margins for refiners will take a small hit in the short term, but ultimately I expect a legal resolution in their favor.

<http://www.csmonitor.com/Environment/Energy-Voices/2013/0322/Refiners-hit-blend-wall-with-ethanol.-Now-what>

CAPP contact: Charlie Peters

U.S. Senator Wyden Asks EPA to Explain Ethanol RIN Volatility

By Mario Parker, Bloomberg, March 22, 2013, 9:21 AM PT

U.S. Senator Ron Wyden asked the Environmental Protection Agency for data that would explain recent volatility in ethanol Renewable Identification Numbers.

The value of RINs, certificates used by refiners and the EPA to show compliance with government biofuel mandates, reached a record \$1.06 on March 8 from 7.1 cents on Jan. 7, data compiled by Bloomberg show.

Petroleum interests and ethanol proponents have been battling over the reason for the surge in prices and its effect on the cost of gasoline at filling stations. The credits are a mechanism of the Renewable Fuels Standard, a 2007 energy law that calls for an escalating amount of biofuel consumption.

Wyden, an Oregon Democrat, chairs the Senate's Energy and Natural Resources Committee.

"Given that ethanol is an increasingly important factor in the cost and supply of motor fuel in the U.S., it is critical that the committee have a better understanding of the causes and effects of RIN market volatility and developments," he said in a letter to the EPA today.

RINs for the corn-based variety of ethanol

were unchanged yesterday at 70.5 cents, while the advanced certificates, which include biodiesel and Brazilian sugarcane-based ethanol, slipped 1.3 percent to 75.5 cents, data compiled by Bloomberg show.

Gasoline Demand

Gasoline demand is projected to average 133.5 billion gallons in 2013 and 2014, the Energy Information Administration, the statistical arm of the Energy Department, said in its March 12 Short-Term Energy Outlook. Under the 2007 energy law, the U.S. is required to use 13.8 billion gallons of ethanol this year and 14.4 billion in 2014. Ethanol is typically combined with gasoline in a 10 percent ratio, which is referred to as the blend wall.

The American Petroleum Institute said March 20 that it commissioned a study by NERA Economic Consulting that shows the country's ethanol law will boost gasoline prices by 30 percent and affect the U.S. economy.

The Renewable Fuels Association, a Washington-based trade group, says oil interests are manipulating the RINs market in an attempt to dismantle the biofuel mandate, and prices for the certificates would ease if refiners sold higher blends of ethanol in gasoline.

To contact the reporter on this story: Mario Parker in Chicago at mparker22@bloomberg.net

To contact the editor responsible for this story: Dan Stets at dstets@bloomberg.net

<http://www.bloomberg.com/news/2013-03-22/u-s-senator-wyden-asks-epa-to-explain-ethanol-rin-volatility.html>

CAPP contact: Charlie Peters

Gasoline Price Inflated by Ethanol in Oil Boom: Energy Markets

By Mario Parker, Bloomberg, Thursday, March 21, 2013

Even as the U.S. produces more oil than at any time since 1992, gasoline remains a dollar higher than the average for the past decade in part because of George W. Bush-era rules that attach a 38-digit Renewable Identification Number to every gallon of ethanol.

Gasoline prices at service stations have risen an average 12 percent this year even as benchmark West Texas Intermediate crude climbed 1 percent. Part of the reason is the 10-fold increase in the cost of credits that refiners from Valero Energy Corp. (VLO) to Marathon Petroleum Corp. (MPC) must buy to comply with the 2007 law designed to boost ethanol consumption.

Bush's mandate predated a boom in oil and gas production that has helped the U.S. meet 84 percent of its energy needs in the first 11 months of last year, government data show, the most since 1991. Since its passage in 2007, annual gasoline demand has dropped 6.3 percent, while U.S. output has soared 28 percent, making compliance by refiners more expensive and eclipsing any benefit from replacing hydrocarbon-based fuel.

"It's bastardized our markets off into some cosmic market that has nothing to do with supply and demand," Peyton Feltus, president of Randolph Risk Management Inc., an energy-consulting firm in Dallas, said in a phone interview on March 5. "2007 was a very different energy world. There was so much demand for finished products."

Production Jumps

Crude production jumped to 7.16 million barrels a day as of March 8, the highest level since July 1992, driven by increased drilling in oilfields including North Dakota's Bakken shale and the Eagle Ford in Texas, according to the Energy Information Administration.

Gasoline at the pump, averaged nationwide, has risen to \$3.691 a gallon, or 15 percent higher than its December low, according to Heathrow, Florida-based AAA, the largest U.S. motoring group. It has averaged \$2.697 since 2003. WTI fell as much as 1 percent to \$92.57 as of 10:23 a.m. on the New York Mercantile Exchange. Brent crude, the global waterborne oil that more closely reflects prices paid by U.S. refineries, has dropped 2.9 percent this year.

The credits that refiners must collect to show compliance with the federal mandate are attached to each gallon of ethanol as it's distilled or imported into the U.S. Ethanol is a form of alcohol indistinguishable from moonshine that's created by fermenting and distilling the starches from corn, sugar, wheat and other crops. Most of the fuel in the U.S. is corn-based.

When the biofuel is combined with gasoline, the credits go to the blenders, which can use them if they also produce gasoline or sell them to other obligated parties if they don't need them or have an excess.

RINs Rise

Each credit has the Renewable Identification Number, or RIN,

which the Environmental Protection Agency tracks. The RINs, which are traded among brokers, jumped to a record \$1.06 a gallon on March 8 from 7.1 cents on Jan. 7, according to data compiled by Bloomberg. They cost 70.5 cents yesterday.

Complying with the mandate has become more difficult as the government boosted the total amount of ethanol that must be blended with gasoline by 53 percent from 2008, while motor fuel demand has dropped 15 percent from a 2007 record, according to refiners including Valero and Marathon. The gap means higher pump prices, refiners say.

"A dollar a RIN is 10 cents a gallon," Bill Klesse, chief executive officer of Valero, the world's largest independent refiner, said March 18 at the American Fuel & Petrochemical Manufacturers Conference in San Antonio. "It's going to get passed on."

Valero estimates its cost to comply with the Renewable Fuels Standard will be \$500 million to \$750 million this year.

Ethanol Requirement

Gasoline demand is projected to average 133.5 billion gallons in 2013 and 2014, the EIA, the statistical arm of the Energy Department, said in its March 12 Short-Term Energy Outlook. Under the 2007 energy law signed by Bush, the U.S. is required to use 13.8 billion gallons of ethanol this year and 14.4 billion in 2014. Ethanol is typically combined with gasoline in a 10 percent ratio,

which is referred to as the blend wall.

Some auto manufacturers won't offer a warranty if drivers use fuel with more than 10 percent ethanol, because of its corrosive properties, effectively capping how much refiners can blend at about 13.4 billion gallons for 2013, Charles Drevna, president of the industry group, said March 17 at the conference. That's 400 million gallons less than the government mandate, raising demand for RINs to make up the difference.

Short Squeeze

Green Plains Renewable Energy Inc. (GPRE) Chief Executive Officer Todd Becker described the RINs surge as a classic short squeeze, a situation in which a lack of supply forces up prices, and that refiners have more room to consume ethanol without exceeding the blend wall. Becker said higher RINs costs aren't having a measureable impact on gasoline and pointed toward record returns from refining the motor fuel from crude oil.

"There's no way that RINs would add 10 cents to every gallon of gasoline," Geoff Cooper, vice president of research and analysis at the Renewable Fuels Association, a Washington-based trade group, said in a March 19 telephone interview. Cooper said an additional 10 cents assumes that a RIN costs \$1 and that all gasoline a refiner is selling contains no ethanol.

There are about 2.6 billion RINs carried over that can be used to comply with the law in 2013, the EPA said in a Federal Register posting on Feb. 7. As the program requires more blending next year, it's "more likely" that the volume of ethanol to be blended will exceed the amount that can be mixed with gasoline, the agency said, and the number of carryover RINs into 2014 will "almost certainly" be lower than for 2013.

EPA Review

The agency is accepting public comments on the fuel standards until April 7, and then will review the comments before deciding on any potential revisions to blending requirements next year, according to an e-mailed statement.

Refiners and importers may use another 1.6 billion stored RINs this year and run out by 2014, Thomas Hogan, a senior vice president at Dallas-based Turner Mason & Co., a petroleum and refining consulting firm, said in a paper presented March 19 at the AFPM conference in San Antonio.

The jump in RIN prices is encouraging refiners to reduce imports of petroleum products that would increase the amount of credits they have to submit to the EPA and boost exports of the fuel, tightening domestic supply, said Michael Breitenbach, an analyst and trader at Blue Ocean Brokerage LLC in New York.

Supporter Win

Ethanol supporters won a victory in January 2011 when the EPA granted a request from producers to raise the allowable amount of the biofuel in gasoline to 15 percent, known as E-15, for vehicles made after 2001.

"Continued strength in the RINs market for an extended period of time could hamper domestic supplies of refined products and increase cost for the consumer," Breitenbach said. "Ethanol producers, on the other hand, are hoping that these RIN prices will act as a catalyst to jump start adaptation of E-15 in the retail marketplace."

Congressional hearings may soon examine the RFS based on developments that have occurred since 2007, said Tim Cheung, a research associate at ClearView Energy Partners LLC in Washington. President Barack Obama in November 2011 ordered automakers to double average fuel economy of vehicles to 54.5 miles per gallon by 2025, shrinking gasoline demand.

This is all driving RINs prices higher as refiners need to purchase more of the credits, according to John Auers, senior vice president of Turner Mason.

"In 2014, we're going to start hitting a wall and getting to a point where the regulators are calling for something that can't physically be done," he said. "This isn't a short-term trend, the high prices aren't going away."

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<http://www.bloomberg.com/news/2013-03-21/gasoline-price-inflated-by-ethanol-in-oil-boom-energy-markets.html>

CAPP contact: Charlie Peters

Here comes Team Obama's carbon tax

By Phil Kerpen, FoxNews, March 21, 2013

The Treasury Department's Office of Environment and Energy has finally begun to turn over documents about its preparations for a carbon tax in response to transparency warrior Chris Horner's Freedom of Information Act request. The documents provide solid evidence that the Obama administration and its allies in Congress have every intention of implementing a carbon tax if we fail to stop them.

The Office of Environment and Energy, if you've never heard of it, is housed in Treasury's Office of International Affairs and exists principally to wait for authority to administer the revenue from a cap-and-trade scheme or carbon tax. And, apparently, to trick Americans into supporting the tax to provide it the money. So the documents they've reluctantly released are worth a careful look.

There's the G-20 report titled "Mobilizing Climate Finance," which pegs the price tag at \$2.1 trillion "of investment requirement" in a "global carbon market."

There's the helpful IMF report from Ian Parry of the Fiscal Affairs Department on "Public Sources of Climate Finance." Parry's stated goal for the United States is "raising revenue and putting it to good use."

He suggests a \$25 per metric ton carbon tax – right in the middle of the range suggested by the discussion draft legislation recently released by U.S. Rep. Henry Waxman, the top Democrat on the House Energy and Commerce Committee – and noted that \$25 billion a year could be sent abroad

"for climate finance."

He singles out aviation and maritime fuels as "under-taxed" and suggests new taxes on fuels or directly on aircraft and ship operators. Parry notes that this "will harm developing countries" – for the simple reason that it's economically harmful – and concludes "compensation needed for fairness." (Obama recently asked Congress to OK another \$65 billion in increased IMF dues, no doubt so we can receive more of this kind of advice.)

By far the biggest document is from the World Bank. It's titled "Inclusive Green Growth: The Pathway to Sustainable Development." The document itself is posted on the World Bank website, but that doesn't mean its use at the U.S. Treasury Department doesn't require scrutiny. The report notes that "some observers, mostly in high-income countries, have argued against the need for more growth, suggesting that what is needed instead is a redistribution of wealth." It seems this "remains more relevant for high-income countries" like the United States.

The report goes on to outline how a carbon tax could be used to drive a massive redistributive scheme based on – believe it or not – Iran as a model of success: "The political economy of reform will likely require compensatory transfers to the middle class. In the Islamic Republic of Iran... 80 percent of households received significant transfers—no doubt contributing to the success of the reform." It continues: "In the end, the redistributive impacts of a carbon price scheme depend on

how revenues from the scheme are used."

Such a redistributive scheme is a key element of carbon tax proposals from Waxman and from Barbara Boxer, the chair of the Senate Environment and Public Works Committee.

It's easy to foresee a "gas stamps" program much like food stamps that would provide a taxpayer-funded gas purchasing card to people up to some multiple of the federal poverty level. Much like ObamaCare, a policy driving up costs would be paired with a huge new welfare program that would foster government dependency and political loyalty.

The World Bank paper also advises Treasury on how to convince the public. It says to call the carbon tax an "offset" instead of a "tax," and downplay economic costs to "focus on framing green policies as a way to reach an ambitious and positive social goal (such as becoming carbon neutral by 2050 or becoming a leader in solar technologies)."

This advice helps explain why an administration so heavily invested in implementing a carbon tax attempts to deny any such thing is going on.

What else are they hiding? At least 10,000 emails from 2012 alone. Horner has filed suit, and Treasury can only stonewall for so long.

One thing that's already clear is that the preparations to pursue a carbon tax are very much proceeding in earnest.

We need to be ready to fight back.

<http://www.foxnews.com/opinion/2013/03/21/here-comes-team-obama-carbon-tax/>

CAPP contact: Charlie Peters



Obama's nominee to be Secretary of Energy Ernest Moniz has strong ties to energy companies. (photo: AP)

Former BP Advisor Nominated to Head Department of Energy

By Justin Elliott, Propublica, ReaderSupportedNews, 20 March 13

When President Obama nominated Ernest Moniz to be energy secretary earlier this month, he hailed the nuclear physicist as a "brilliant scientist" who, among his many talents, had effectively brought together "prominent thinkers and energy companies" in the continuing effort to figure out a safe and economically sound energy future for the country.

Indeed, Moniz's collaborative work - best captured in the industry-backed research program he oversaw at The Massachusetts Institute of Technology - is well known. So, too, is his support for Obama's "all of the above" energy strategy - one that embraces, fossil fuels, nuclear, and renewable energy sources.

But beyond his job in academia, Moniz has also spent the last decade serving on a range of boards and advisory councils for energy industry heavyweights, including some that do business with the Department of Energy. That includes a six-year paid stint on BP's Technology Advisory Council as well as similar positions at a uranium enrichment company and a pair of energy investment firms.

Such industry ties aren't uncommon for cabinet nominees, and Obama specifically praised Moniz for understanding both environmental and economic issues.

Still, Moniz's work for energy companies since he served in President Clinton's Energy Department has irked some environmentalists.

"His connections to the fossil fuel and nuclear power industries threaten to undermine the focus we need to see on renewables and energy efficiency," said Tyson Slocum, director of the energy program at the consumer advocacy group Public Citizen.

Slocum pointed out that Moniz, if confirmed, will set research and investment priorities, including at the department's network of national laboratories.

The Energy Department hands out billions of dollars in contracts and loan guarantees as it pushes energy research and development and administers the nation's nuclear weapons stockpile and cleanup efforts. (On fracking, probably the highest-profile energy issue of the moment, the Environmental Protection Agency has jurisdiction.)

Reaction to Moniz's nomination has been mixed among environmental groups, ranging from support (Natural Resources Defense Council) to concerned acceptance (Sierra Club) to outright opposition (Food and Water Watch).

What criticism there has been has focused on his support for nuclear power and for natural gas extracted through fracking as a "bridge fuel" to transition away from coal.

Here's what we know about Moniz's recent involvement with the energy industry:

* He was on BP's Technology Advisory Council between 2005 and 2011, a position for which he received a stipend, according to BP. Spokesman Matt Hartwig said the company does not disclose details of such payments. (A 2012 BP financial report disclosed that one council member received about \$6,200.) The council "provides feedback and advice to BP's executive management as to the company's approach to research and technology," according to the company. BP has also provided \$50 million in funding to Moniz's MIT Energy Initiative. Moniz talked about that relationship while delivering a warm introduction before a 2009 speech at MIT by BP's then-CEO Tony Hayward.

* From 2002 to 2004, Moniz sat on the strategic advisory council of USEC, a public company that provides enriched uranium to nuclear power plants. A company spokesman said Moniz was paid for his role on the nine-member council, but declined to say how much. USEC, which has been seeking a \$2 billion loan guarantee from the Energy Department for a centrifuge plant in Ohio, has applauded Moniz's nomination.

* He's on the board of ICF International, a Fairfax, Virginia-based company which does energy and environmental consulting. It has received Energy Department contracts as part of what one executive called a "longstanding relationship with the Department of Energy." As a board member, Moniz got \$158,000 in cash and stock in 2011, according to the company's most recent annual report.

* He is on the strategic advisory council of NGP Energy Technology Partners, a private equity firm that invests in both alternative energy and fossil fuel companies. The Washington, D.C.-based firm declined to comment.

* He is on the board of advisers of another private equity firm, the Angeleno Group, which says it provides "growth capital for next generation clean energy and natural resources companies." The Los Angeles-based firm didn't respond to requests for comment.

* He is a trustee of the King Abdullah Petroleum Studies and Research Center (KAPSARC), a Saudi Aramco-backed nonprofit organization. The

organization did not respond to requests for comment. He was on the board of directors of the Electric Power Research Institute from 2007 to 2011, following a stint on the group's advisory council that began in 2002. A nonprofit utility consortium, the organization does research for the industry with an annual budget of over \$300 million. The group paid Moniz \$8,000 between 2009 and 2011, according to its most recent tax returns.

* Since 2006, Moniz has been on the board of General Electric's "ecomagination" advisory board which advises the company on "critical environmental and business issues." The company did not respond to inquiries about compensation.

A spokesperson for the MIT Energy Initiative said Moniz is not giving interviews, and the White House didn't respond to requests for comment.

Moniz's nomination has not encountered resistance from the Senate, where the Energy and Natural Resources Committee is scheduled to hold a hearing on Moniz April 9.

As part of the nomination process, Moniz has to fill out a financial disclosure that will become public, along with an ethics agreement on how he will avoid any conflicts of interest.

If confirmed Moniz won't be the first energy secretary who has been close to industry.

Steven Chu, the outgoing energy secretary, received scrutiny over his ties to BP. The company had chosen the lab Chu headed at the University of California, Berkeley, to lead a \$500 million energy research project. BP's chief scientist at the time of the grant, Steven Koonin, became Chu's undersecretary for science.

When the Energy Department became involved in the government's response to the 2010 Gulf oil spill, Koonin recused himself. Critics who thought the administration was too soft on the company pointed to Chu's ties to BP. But no evidence emerged that Chu had played any role going to bat for BP within the administration.

<http://readersupportednews.org/news-section2/312-16/16563-former-bp-advisor-nominated-to-head-department-of-energy>

BP & Shell GMO fuel in your home TAP water?

CAPP contact: Charlie Peters

UPDATE: Valero Says Ethanol Blending Costs To Double or Triple This Year

By Alison Sider, Dow Jones Newswires, March 20, 2013

Valero Energy Corp. (VLO) said it will have to spend two or even three times as much as it did last year to comply with the federal ethanol blending requirement due to the high prices of credits it needs to buy under the law.

The company said in a presentation posted on its website Tuesday evening it will spend \$500 million-\$750 million buying the credits this year, compared to \$250 million in 2012 and \$230 million in 2011.

Refiners have warned a price spike in the market for credits they buy to comply with the ethanol blending requirements will cut into their earnings and consumer wallets. They have urged the Environmental Protection Agency not to increase the volume of ethanol that must be blended into motor fuel this year.

Under a 2007 law, the EPA mandates a certain amount of ethanol be blended into the U.S. gasoline supply each year. When an ethanol maker produces a gallon, the company receives a credit representing roughly that much ethanol. The credits--called Renewable Identification Numbers, after the numerical code assigned to each gallon--can subsequently be bought by refineries to help meet the mandates.

Cost of the credits has shot up from 3 cents per gallon in 2012 to more \$1 a gallon at one point recently. The price of the credits has fallen to around 70 cents a gallon as buyers appear to have pulled back somewhat, said Denton Cinquegrana, executive editor at the Oil Price Information Service.

"It seems to have found a bit of a comfort zone, though I don't know if you can call that comfortable," Mr. Cinquegrana said of the still elevated prices.

Bill Day, a spokesman for Valero, said it is difficult to know exactly what is driving the opaque market, but it seems to be driven by fears refineries will soon not be able to meet their quotas due to a looming "blend wall" beyond which more ethanol can't be added to motor fuel. "It seems like there's a lot of nervousness in the market about the blend wall," he said, adding it appears there has been a "run on RINs" with speculators hoarding them in anticipation of higher prices in the future.

The EPA's proposal for this year, which could be made final as soon as next month, could force refineries and fuel importers to use upwards of 14 billion gallons of ethanol. Unless demand picks up, that would mean ethanol would

comprise more than 10% of U.S. gasoline, a proportion refiners say is a firm upper limit.

Valero said Tuesday that suggestions refiners sell fuel blends with 15% ethanol for newer vehicles are unworkable because car manufacturers don't recommend drivers fill up with higher ethanol-content fuel.

Raymond James analysts wrote in a note Wednesday the ultimate cost to Valero is still a question mark, since costs of complying with the fuel mandate will likely be passed on to consumers. "Ultimately, this cost figure gives investors something to point to, but still doesn't solve the entire puzzle as higher gasoline could likely offset this RIN cost," the analysts wrote.

Valero said Tuesday high RIN prices will flow through to consumers and will drive up prices at the pump by encouraging fuel makers to export gasoline to markets that don't have blending requirements and will lower imports of gasoline and diesel, as well.

The solution, the company said, is to eliminate or reduce the renewable fuel standard or to make ethanol blenders, not refineries and importers, responsible for compliance.

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<http://www.loyds.com/news-and-insight/news-and-features/dow-jones/article/14904/update-valero-says-ethanol-blending-costs-to-double-or-triple-this-year>

BP & Shell GMO fuel in your home TAP water?

CAPP contact: Charlie Peters

Monsanto's Death Grip on Your Food

By Randall Amster, Reader Supported News, 20 March 13

Monsanto's near-monopoly gives the company the right to control access to a staple food item that is found in a wide range of consumer products.

Monsanto has yet another case pending in the court system, this time before the U.S. Supreme Court on the exclusivity of its genetically modified seed patents. Narrowly at issue is whether Monsanto retains patent rights on soybeans that have been replanted after showing up in generic stocks rather than being sold specifically as seeds, or whether those patent rights are "exhausted" after the initial planting. But more broadly the case also raises implications regarding control of the food supply and the patenting of life - questions that current patent laws are ill-equipped to meaningfully address.

On the specific legal issues, Monsanto is likely to win the case (they almost always do). The extant facts make this a relatively poor platform to serve as a test case of Monsanto's right to exert such expansive powers. The farmer in this situation had previously purchased Monsanto soybeans for planting (back in 1999), and in this instance bought previously harvested soybeans with the intention of planting them - even spraying Monsanto's Roundup herbicide on them in the hopes that at least some of the generic stock would be of the so-called "Roundup Ready" variety.

Despite this unfortunate posture, the case does provide another opportunity for critical inquiry regarding the unprecedented and perverse level of control Monsanto is asserting over the food supply. It is estimated that 90 percent of the soybeans in the U.S. are genetically modified and thus subject to potential patents. A random handful of soybeans procured anywhere is likely to contain at least some Monsanto-altered beans. Such a near-monopoly effectively gives Monsanto the right to control access to a staple food item that is found in a wide range of consumer products.

Other variations on this theme include pollen from Monsanto corn (similarly dominant in the U.S. market) pollinating a farmer's crop, or seeds from Monsanto-engineered grains being distributed by animals, winds, or waterways and commingling with non-GMO plantings. In each case, Monsanto could have a cause of action against an unwitting farmer by claiming patent infringement.

More broadly, and unlikely to be addressed in the instant case, is whether Monsanto (or any other company) should be able to patent seeds - the core of global food supplies, and thus of sustenance for billions of people - in the first place. Activists will decry the fact that Monsanto is patenting life, and this is indeed an

Orwellian (or perhaps a Huxleyan) prospect, to be sure. Yet I would submit that Monsanto is actually patenting death, which is potentially even more disconcerting.

Consider that by exerting this level of control over the food supply, Monsanto is rapidly creating a world in which people have to pay fealty to the corporation in order to grow food and/or consume it. In this sense, Monsanto gains enormous power to determine who is allowed to eat - and thus who lives or dies. Consider further that Monsanto's patents also include technologies in which seeds are sold that cannot propagate themselves, resulting in plants terminating rather than perpetuating, requiring farmers to have to go back to the "company store" in order to replant their fields.

In the case currently before the Court, shades of the latter issue are present, with the question being whether the seeds of the seeds of Monsanto creations retain their exclusive patent rights - possibly in perpetuity. This sort of argument might give us cause to wonder whether an animal (or even a human being, someday?) who consumes these proprietary foods could be implicated in such assertions if they are somehow genetically altered in the process. Perverse slippery slopes

aside, the permeation of patentable materials throughout the food chain is by now a clear and present danger.

These are troubling trends indeed. Monsanto wants the right to exert perpetual control, and with it the power to make decisions about who/what lives or dies. In addition to seed patents, their corporate creations include herbicides, pesticides, and biocides that toxify soils and poison waters. Genetically modified foods increasingly dominate the U.S. food supply (and supplies elsewhere, at least where they haven't been explicitly banned) despite insufficient testing and concerns about their health impacts. The ability of corporations like Monsanto to continue plying such products with little oversight constitutes a de facto consumer beta test on a mass level, the full effects of which may not be known for decades, if ever.

Taking all of this together, it increasingly appears that Monsanto is patenting death, perhaps even more so than life. Their patent rights should not trump the rights of people to procure safe, healthy, living foods. Whatever the result in the Supreme Court case, we should roundly deem Monsanto a loser in the court of public opinion, and strive to loosen their death grip on our food supply.

<http://readersupportednews.org/opinion2/448-farm-and-food-policy/16568-monsantos-death-grip-on-your-food>

Is BP GMO fuel in your home TAP water?

CAPP contact: Charlie Peters

The ethanol 'blend wall' could limit the U.S. fuel supply

By Michael Bastasch, Daily Caller News, March 20, 2013

The high price of ethanol credits has energy industry experts saying the U.S. refining industry has hit the "blend wall," which could limit the country's supply as refiners cut back production or export more fuel to stay in compliance with the federal Renewable Fuel standard.

"That's a very real concern that we have, that the RFS acts as a limitation on fuel supply," Patrick Kelly, senior policy advisor at the American Petroleum Institute, told The Daily Caller News Foundation. "The blend wall is a 2013 problem. It gets worse as years go on. You can see it in the RIN price — we're there now."

"The increase in RIN prices — it increases the cost of manufacturing," Kelly added. "We're also concerned about the impact on supply. Any reduction in supply would also put upward pressure on prices."

"RFS compliance options in an environment of short RIN supplies are limited and include a potential reduction in the production of gasoline and diesel fuel for domestic consumption and increased exports of gasoline and diesel fuel," said Tim Hogan, motor fuels director at the American Fuel & Petrochemical Manufacturers, in his congressional testimony. "Lower volumes of transportation fuels in the U.S. will impact fuel costs and the economy."

The Environmental Protection Agency requires a certain amount of renewable fuel to be blended into fuels on an annual basis and assigns Renewable Identification Numbers, or RINs, to track if refiners have met agency requirements. Refiners and importers can purchase RINs to satisfy the mandate.

However, demand for oil has been decreasing while government ethanol blending requirements have been increasing. Refiners are

reluctant to blend fuels more than 10 percent ethanol because that's the amount automakers say is safe to put into engines.

Bloomberg reports that the amount of ethanol refiners can blend into gasoline is effectively capped at 13.4 billion gallons for 2013 — 400 million gallons short of the EPA's 13.8 billion gallon blending mandate.

"This systemic problem already is creating market uncertainty and has resulted in more than a 1000% increase in the price of ethanol RINs since the beginning of the year," said Hogan. "The cost to obligated parties of purchasing these expensive RINs increases refinery operating costs and ultimately will disadvantage consumers."

One option refiners have to comply with the law is to reduce gasoline and diesel production, which means consumers risk paying more at the pump — as much as 10 cents more, reports Bloomberg.

Prices at the pump could surge even higher as high priced ethanol credits make gas imports more expensive, which creates an incentive for refiners to export gas and avoid ethanol blending requirements.

"The EPA has the authority to revise the ethanol requirements, and some believe doing so would decrease the cost of gasoline by five to 10 cents a gallon," said Benjamin Cole, communications director at the Institute for Energy Research. "This seems like a 'no brainer' since the original targets for ethanol blended into gasoline were based on increasing gasoline demand, not declining demand as we are seeing it today."

High ethanol credit prices also give refiners an incentive to export more fuel abroad to avoid blending requirements.

"The additional cost of RINs provides even more incentive to export motor fuel," reports the Oil Price Information Service. "One refiner that was all set to move some gasoline blendstock to Florida reportedly moved the cargo offshore, where the sale would not be impacted by the necessity to purchase some RINs."

However, the ethanol industry argues that high RIN prices indicate the need for blending more ethanol into the fuel supply.

Reuters reports that the ethanol industry blames refiners for driving up gasoline and RIN prices due to their refusal to blend up to 15 percent ethanol per gallon of gas — E15 — which would relieve upward pressure on prices.

However, research by the oil and auto industry supported Coordinating Research Council found that E15 could endanger the fuel systems in millions of vehicles model year 2001 and newer, which could mean vehicles breaking down on the road.

The oil and gas industry has called for the EPA renewable fuels mandate to be completely repealed because it is unworkable and will force vehicles to use more harmful, ethanol-heavy fuels.

"We believe the Renewable Fuels Standard is unworkable and should be repealed," said Robert Greco, downstream group director at API. "There is a fundamental flaw in the enabling statute so the only way to fix it is to scrap the law and start over if Congress believes such a program is necessary."

Earlier this year, a federal court ruled that the EPA's renewable fuel mandate and ruled that the agency exceeded its authority by requiring refiners to use cellulosic biofuels, which isn't commercially available.

<http://dailycaller.com/2013/03/20/the-ethanol-blend-wall-could-limit-the-u-s-fuel-supply/>

CAPP contact: Charlie Peters

Ethanol Upending Refiners Pushes \$13 Billion on U.S. Drivers

12

BY Bradley Olson & Dan Murtaugh, Bloomberg, March 19, 2013

U.S. drivers may face a \$13 billion increase in the cost of gasoline this year as the price of federally mandated ethanol credits has risen 10-fold for oil refiners including Valero Energy Corp. (VLO) and CVR Energy Inc. (CVI)

Fuel processors such as Valero, the world's largest independent refiner, and Exxon Mobil Corp. (XOM) are pushing the U.S. Environmental Protection Agency to reduce the amount of ethanol they're required to add to gasoline to avoid what they say will be a sharp spike in prices at the pump just as the summer driving season begins.

Refiners buy biofuel credits, known as RINs, which are available as an alternative to actually blending ethanol into gasoline. The cost of those credits has ballooned from 7 cents at the start of the year to more than \$1 as the 2013 federal mandate for biofuel exceeds 10 percent of gasoline sales, the maximum that refiners say the market can absorb.

Energy traders and hedge funds are treating ethanol credits like "a casino," Michael Jennings, chairman and chief executive officer of Dallas-based refiner HollyFrontier Corp., said at the annual gathering of the American Fuel and Petrochemical Manufacturers in San Antonio today. "It will drive, in its current form, higher prices at the pump."

Companies that blend gasoline and ethanol are also buying and holding on to the credits, expecting prices to go higher and making them harder to get, Valero Chairman and CEO Bill Klesse said in an interview yesterday at the refinery group's meeting.

Pump Price

"You have traders hoarding," Klesse said. "The EPA has to address it and address it now."

Concern about the rising cost of the credits has driven down refiners' share prices, draining \$5 billion in market value last week from the 10 largest publicly traded U.S. independent refiners, according to Barclays Plc.

Consumers are at risk of paying 10 cents a gallon more for gasoline this year if the ethanol credits continue to sell at a price of more than \$1, Roger Read, a Houston-based analyst for Wells Fargo & Co. (WFC), said in a March 11 note to investors.

Pump prices may surge even more as the credits make imports more expensive and create an incentive for U.S. refiners to seek export opportunities where no ethanol blending is required, Read said.

Economic Cost

"The likely impact for U.S. consumers is higher gasoline prices as supply declines," he wrote.

The high cost of credits may add 10 cents to the price of a gallon of gasoline, Valero's Klesse said. An increase of 10 cents for every gallon of gasoline consumed in the U.S. in 2013 would equate to more than a \$13 billion cost to consumers, according to data compiled by Bloomberg.

Refiners can make use of surplus RINS and the added cost of high credit prices is likely to be smaller and may be as low as \$400 million, Geoff Cooper, vice president of research and analysis at the Washington-based Renewable Fuels Association, said today in an interview.

"It's a market like any other," Cooper said. "It's going to respond to demand, and I think what we saw last week when prices jumped over a dollar was some panic buying."

Prices at that level don't reflect market

fundamentals and the cost is expected to average 31 cents this year, he said.

The rising cost of credits will be negative for refiner earnings in the "best case" and "in the worst case could take down both the U.S. consumer and the domestic economy," Chi Chow, an analyst at Macquarie Group Ltd. in Denver, said in a March 13 note to clients.

Government Meeting

Valero, which is also among the country's top ethanol producers, plans meetings with members of Congress and agency officials this week to discuss potential changes to the Renewable Fuel Standard, part of a 2007 law that requires the blending of biofuels, said Bill Day, a company spokesman.

The agency is accepting public comments on the fuel standards until April 7, and then will review the comments before deciding on any potential revisions to blending requirements next year, according to an e-mailed statement.

As the amount of gasoline the U.S. consumes has declined, refiners are unwilling to blend fuel with more than 10 percent ethanol to meet the federal requirement. For an alternative to blending ethanol, refiners buy credits called Renewable Identification Numbers, or RINs, to cover part of the requirement.

Car Warranties

Some auto manufacturers won't offer a warranty if drivers use fuel with more than 10 percent ethanol, effectively capping how much refiners can blend at about 13.4 billion gallons for 2013, Charles Drevna, the industry group's president, said March 17 at the conference. That's 400 million gallons less than the government mandate, raising demand for RINs to make up the difference.

The price for RINs rose to a record \$1.06 on March 8 and closed at 77 cents yesterday, up from 7 cents on Jan. 8, according to data compiled by Bloomberg.

The law allows blenders of the fuel, such as owners of retail gasoline stations and storage tanks, to be granted RINs that they can sell to refiners or traders. Blenders have seen profits from selling RINs soar amid the runup in prices, Jack Lipinski, CEO of refiner CVR Energy Inc., said in an interview at the conference.

"The intent of the law was to assure ethanol was blended," he said. "RINs should not be a separate profit center."

Minimum Requirements

Lipinski and Klesse said the government should consider making the companies that blend the fuels before selling them to retail stations responsible for proving they're meeting minimum ethanol use requirements, a short-term solution that may quickly force down RIN prices.

Exxon favors capping the amount of ethanol mandated for blending at 10 percent of gasoline demand, Bill Colton, vice president for corporate strategic planning, said last week.

Drevna and refining company Tesoro Corp. favor a complete repeal of the Renewable Fuel Standard, a prospect that may become more probable as gasoline prices rise due to the cost of RINs, Paul Sankey, an analyst with Deutsche Bank AG in New York, said in a March 12 note to clients.

"The train is getting ready to leave the station," Stephen Brown, vice president of government relations for Tesoro, said in an interview yesterday at the conference. "Reform is going to come to the market."

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<http://www.bloomberg.com/news/2013-03-18/refiners-pay-price-as-traders-hoard-ethanol-credits-valero-says.html>

CAPP contact: Charlie Peters

Our editorial: Congress shouldn't interfere with ethanol policies

Congress is wrong to enforce use of cellulosic fuel, since the product doesn't even exist

The Detroit News, March 19, 2013 at 1:00 am

After years of criticism and wasted tax dollars, Washington last year finally cut its 45-cents-per-gallon subsidy for corn ethanol fuel, saving taxpayers \$6 billion a year. That was a good move, but ethanol meddling has continued.

When it comes to ethanol, the federal government is determined to interfere. The mandate for plant-based, cellulosic ethanol in your gas is a good example.

The plot was hatched by President George W. Bush in 2006 as part of a self-conscious oil-man's pledge to end America's "addiction to oil." This coincided with emerging evidence that corn ethanol may be bad for the environment and that its production diverts precious food to fuel. The 2007 Energy Act mandated that oil refiners use 100 million gallons of cellulosic ethanol by 2008 and 36 billion gallons by 2022.

The biggest roadblock? The product — which is derived from switch grass or farm waste — did not yet exist commercially. To jump-start production, Congress dished out \$1.5 billion in tax money to companies to develop the fuel. Washington figured that if it built a mandated market, somebody would surely come.

The effort was not lacking in investors, most notably General Motors, which made a big splash at the 2008 Detroit Auto Show when it announced it had partnered with Coskata Inc. to develop cellulosic ethanol from biomass. Anticipating the fuel mandated for its vehicles, GM was keen to reap profits as well.

"We look to put as much as 10 billion gallons of ethanol on the market by 2022," said a Coskata spokesman after GM's investment.

Four years later and Coskata has abandoned its cellulosic efforts, having failed to develop a competitive product. British Petroleum has also abandoned ambitious plans launched in 2008.

Indeed, the cellulosic ethanol industry has not produced a single gallon of fuel for the commercial gasoline market.

Yet, Congress's mandate remains.

In 2012, the Environmental Protection Agency required oil refiners to blend 8.7 million gallons of cellulosic fuel into gasoline. And since the product doesn't exist, the agency then handed out millions of dollars in oil industry fines for non-compliance.

John Griffin of the Associated Petroleum Industries of Michigan says this is harmful. "The renewable fuels mandate is one of our chief concerns," he says. "If we fall short, then we're fined." And those fines are being passed on to American consumers who are already struggling to pay nearly \$4 for a gallon of gas.

The industry has sued the EPA and won a temporary reprieve from the mandate under a provision of the law that allows the agency to set a more reasonable mandate based on "the projected volume available." But a reasonable mandate for a product that doesn't exist is another justification for more government mischief-making.

"Refiners are in no position to ensure, or even contribute to, growth in the cellulosic biofuel industry," said Washington, D.C., Court of Appeals Judge Stephen Williams, noting the absurdity of enforcing the cellulosic law.

Only in Washington. Given reality, Congress ought to repeal its useless cellulosic ethanol mandate.

<http://www.detroitnews.com/article/20130319/OPINION01/303190309/1008/opinion01/Editorial-Congress-shouldn-t-interfere-ethanol-policies>

CAPP contact: Charlie Peters

US refiners count cost of ethanol credits

by Gregory Meyer, Oil & Gas, Financial Times, March 17, 2013

The US refining industry's lustre is dimming with investors as it faces billions of dollars in new costs related to biofuels policy.

Shares of companies such as Valero Energy, HollyFrontier and PBF Energy have fallen amid worries about their exposure to the surging cost of credits used to comply with ethanol and biodiesel mandates. Refiners have been among the strongest US stocks in the past year.

"We find it frustrating that an ancillary issue related to a mandated government programme that has essentially nothing to do with fundamentals is threatening to derail the bull run on the refiners," said Chi Chow, analyst at Macquarie.

US law requires refiners and wholesalers to blend increasing amounts of biofuels each year into the petrol they sell. They can also buy credits as a substitute for meeting blending obligations.

The credits, known as Renewable Identification Numbers, or RINs, topped \$1 early last week after a rise of almost 2,000 per cent in 2013. This will cost the refining industry \$7bn this year, estimates Paul Cheng, analyst at Barclays.

Shares in Valero, the biggest independent with 16 refineries, have declined 5.3 per cent in the past two weeks. The company also owns 10 ethanol plants but on the whole needs to buy RINs to satisfy blending obligations.

Mr Chow said Valero's RIN obligations would

cost nearly \$900m this year. The company sells heavy volumes of unblended gasoline, he said as he downgraded the stock last week.

The extent to which refiners and importers or consumers will pay the price of surging RIN costs is the subject of debate. Mr Cheng said most costs will be passed through at the pump, generating a net gain for the refining industry.

Jack Lipinski, chief executive of CVR Energy, with two refineries in Kansas and Oklahoma, told analysts: "There is no way that the RINs cost will not get passed on". CVR shares have fallen 5 per cent in the past two weeks.

The biofuels industry argues that drivers would save money if oil companies funnelled more biofuels into their blends. Fuel companies in most cases refuse to blend more than 10 per cent ethanol into finished petrol, citing liability concerns.

Bob Dineen, president of the Renewable Fuels Association, said: "Ethanol is cheaper than gasoline, and refiners should be using more ethanol, not less ethanol."

The risks of high RIN prices are not equally shared. Chevron, which owns five US refineries, last week said it blends more fuels than it refines, making it "a seller of RINs into this market".

"So as a company we're not in a particularly vulnerable position on this today, but I will tell you that this is a regulation that just doesn't work," Mike Wirth, executive vice-president,

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CAPP contact: Charlie Peters

Ethanol Surplus May Lift Gas Prices

By *MATTHEW L. WALD, The New York Times, March 15, 2013*

WASHINGTON — A glut of ethanol in the gasoline supply is threatening to push up prices at the pump and may have exacerbated the growing cost gap between regular gasoline and premium, some oil experts say.

Refiners have been trading so-called ethanol credits furiously in an effort to meet federal environmental mandates, helping to significantly push up the cost of those credits — a jump to more than \$1 from a few pennies in the last several days, and drivers are feeling the effects, experts say.

Prices for premium gas are now about 30.2 cents over the price of regular, according to Trilby Lundberg of the Lundberg Survey. That is up from 24.1 cents in 2010 and 18.2 cents in 2000. Any increases could affect about a third of this year's car models, because premium fuel is required or recommended for them, according to Edmunds.com.

Experts disagree on the reasons for a widening gap between the costs of regular and premium gas. Reasons for the ethanol surplus are even more broadly in dispute, between producers and the oil companies. Gas companies are required under federal law to blend a certain number of gallons of ethanol into the fuel. But refiners argue that some cannot reach that requirement because they are nearing or at the so-called blend wall, the maximum percentage of ethanol in gasoline that most gas stations can handle, 10 percent. They also note that is the maximum level recommended by auto manufacturers for most cars.

Refiners blame Congress, arguing that the ethanol quota was set at a time when gasoline demand was expected to rise steadily. Instead, demand has declined, and refiners, obligated to blend more ethanol than they can actually use, have resorted to buying a lot of ethanol credits,

known as renewable identification numbers (or RINs), to meet the mandated levels.

Ms. Lundberg described this as "buying forgiveness from the government." The credits' popularity has driven up the price nearly tenfold since January.

On the other side of the debate are the ethanol producers, who say prices are pushed lower because their product is cheaper than gasoline. This is true on a gallon-per-gallon basis, although ethanol provides less energy per gallon.

The argument over ethanol and gas prices highlights the politics of the Renewable Fuel Standard, set by a 2007 law. The ethanol lobby accuses the oil companies of ratcheting up the demand for fuel credits as a way of applying pressure on lawmakers to reduce the alternative fuel mandates. Congress could change the rules, or the Environmental Protection Agency, which set up the electronic marketplace where ethanol credits are traded, could adjust them.

The ethanol credits, like some other kinds of environmental credits, can be banked as well as bought and sold. Some companies have a surplus. But those without them have rushed into a market that is thinly traded, driving the spike in prices, according to the American Fuel and Petrochemical Manufacturers, a trade association.

"The market's broken, because the Renewable Fuel Standard has been broken since the day it was enacted," said Charles T. Drevna, president of the group. The refiners rely on a certain amount of ethanol as a way to increase octane, but they have been fighting the standard since it was created, partly because it requires them to use advanced biofuels that are not actually in commercial production.

Oil refiners also warn that higher prices for the credits will encourage fraud, something the ethanol trading system has encountered in the past.

There are two ways the ethanol credit issue could drive gas prices higher. Mr. Drevna said that refiners would probably seek to recover the cost of the credits, which were a mere seven cents or so at the beginning of this year, in the prices they charge. And Eric G. Lee, an analyst at Citi Research, said that some refiners might seek to avoid the ethanol requirement by exporting their gas, which could tighten supplies in the United States.

According to Mr. Lee, large refiners spent \$100 million to \$300 million each for credits in 2012, when prices were about 4 cents. "At \$1 a gallon levels, the numbers become astronomical very quickly," he said Wednesday.

But at the Renewable Fuels Association, Bob Dinneen, the president, said that the refiners were the sellers of the credits as well as the buyers, so that it was a flow of money among the oil companies. Ethanol companies make the fuel, he said, and sell it to refiners, who either use it themselves to meet their obligations, or use it but spin off the credit for sale to someone else.

"When I see volatility like that in any market, it's not market fundamentals at work, it's probably something else all together," he said. "It's more like the oil companies trying to create a little hysteria to support the notion that the Renewable Fuel Standard is broken, but I think it's working just fine." He said oil companies should be investing in stations so that they can sell e85, the blend that is 85 percent ethanol and 15 percent gas, which millions of "flex fuel" cars can use, or e15, the 15 percent blend. The E.P.A. has approved e15 for most cars but the manufacturers advise against using it, and most

service stations would need substantial investments in new equipment to sell it.

Using ethanol once was a cheap way to increase octane to make premium fuel, said an oil expert, Lawrence J. Goldstein, of the Energy Policy Research Foundation, because it has an octane of 113. But refiners have reached the limit of the amount they can blend, he said.

In addition, he said, an increase in American oil production, mostly from shale, allows refiners to use domestic crude instead of imported crude, but some of the new domestic supply has fewer high-octane ingredients than the African crudes it is replacing. And some refiners may increase their exports of gas in response to high credit prices, experts said. If the gasoline is exported, it does not have to meet the American ethanol requirement.

The long-term outlook for premium fuel is uncertain. Auto companies can build cars that get more miles per gallon if they use high-octane fuel, and the auto companies have agreed to double the average fuel economy of their cars and light trucks by 2025.

At Edmunds.com, analyst Bill Visnic said the demand for premium would be higher except that carmakers had learned to use an alternate technology, direct injection of fuel, combined with turbocharging, to get higher mileage.

But the number of cars that use high-octane fuel is substantial.

Michael Webber, of the Center for International Energy and Environmental Policy at the University of Texas at Austin, said he asked his students how many of them drove cars that needed premium fuel. "Out of 100 people, 10 hands went up," he said. These were probably not mostly luxury cars, he said. "Grad students normally aren't rich," he said.

A version of this article appeared in print on March 16, 2013, on page B1 of the New York edition with the headline: Ethanol Surplus May Lift Gas Prices.3
http://www.nytimes.com/2013/03/16/business/energy-environment/ethanol-glut-threatens-a-rise-in-gasoline-prices.html?pagewanted=all&_r=03

Is Valero, Sunoco, BP & Shell GMO fuel in your home TAP water

CAPP contact: Charlie Peters

Jerry Brown says California needs to look at fracking *Oil Voice, Thursday, March 14, 2013*

California Governor Jerry Brown said yesterday that the state should consider the use of "fracking" technology to develop its massive shale oil reserves and reduce reliance on imported oil.

Brown supports the people he's put in charge of regulating the process of extracting oil and natural gas known as hydraulic fracturing and says California's fossil fuel deposits have "extraordinary" potential.

"We want to get the greenhouse gas emissions down, but we also want to keep our economy going. That's that balance that's required," the Governor said at an event to announce the approval of three new renewable energy projects.

Environmental groups have raised safety concerns over fracking, however, Brown told reporters in San Francisco Wednesday that he's confident his administration will handle all safety and regulatory questions as they come up.

"They'll be decided based on science, based on common sense and based on a deliberative process that listens to people - but also wants to take advantage of the great opportunities we have in this state," the governor said.

Oil and natural gas production has soared on the back of technological advances based on fracking in the U.S. The technique involves injecting water and chemicals to fracture rock formations and unlock deposits that are untappable by conventional means.

http://www.oilvoice.com/n/Jerry_Brown_says_California_needs_to_look_at_fracking/3ab0a4a65490.aspx

CAPP contact: Charlie Peters

U.S. Ethanol Mandate Puts Squeeze on Oil Refiners

By RYAN TRACY, *Wall Street Journal*, March 10, 2013

The cost of complying with a federal mandate to use corn ethanol in fuel has risen sharply in the past few months, putting a squeeze on oil refiners.

The price of each credit that refiners need under the law topped \$1.00 Friday, up from just a few cents last year.

"Eventually that cost is going to get passed along," said Bill Day, a spokesman for Valero Energy Corp., VLO -2.17% which sells gasoline to about 5,000 filling stations in the U.S.

Valero and other big refiners, such as Marathon Petroleum Corp. MPC +0.84% and Tesoro Corp., TSO +1.13% haven't publicly estimated how the compliance costs would affect earnings. The industry has been reporting steady profits recently.

The new expenses "will have an impact on refinery margins," said Tom Kloza, chief oil analyst with the Oil Price Information Service. Refiners could attempt to pass the higher costs on to consumers but so far, that hasn't happened, he said.

The sharp rise in ethanol-credit prices reflects broader problems with the 2007 law, which sought to drive

increased use of renewable fuels. Another piece of the mandate, requiring industry to buy fuels made from nonedible plants, has run into trouble because there isn't enough supply to meet federal requirements.

The ethanol provisions require that the oil industry blend more of the corn-derived fuel with petroleum-based gasoline each year. The government required the use of about 13.2 billion gallons of ethanol last year. When an ethanol maker produces a gallon, the company receives a credit representing roughly that much ethanol. Such credits are subsequently bought by refineries to establish how much ethanol they have blended into fuel. If a refinery doesn't have enough credits, it can be fined.

Until now, refiners have been able to hit their quotas because about 10% of U.S. gasoline is ethanol. The U.S. consumed about 133 billion gallons of gasoline last year, according to the Energy Information Administration. That meant that about 13.3 billion gallons of ethanol was blended into gasoline, just above the requirement of roughly 13.2 billion gallons.

The Environmental Protection Agency's proposal for this year, which could be made final as soon as next month, could force refiners and fuel

importers to use more than 14 billion gallons of ethanol.

But refiners are reluctant to blend gasoline with more than 10% ethanol largely because auto makers say most vehicles can't handle a higher rate. That 10% figure is known as a "blend wall," keeping more ethanol from entering the market.

If Americans don't buy more gasoline this year than last, the blend wall creates a conflict with the government's ethanol requirement. The oil industry is pushing the EPA to lower the 2013 ethanol requirement.

Fears that they will hit the blend wall appear to have made refiners and fuel importers eager to buy credits on the open market, pushing credit prices higher. On Jan. 14, the price of a credit rose above nine cents for the first time in more than two years, according to the Oil Price Information Service. The price has jumped more than tenfold since.

"I'm reluctant to say that we've hit the blend wall, but there certainly is the perception we have or that we are about to," said Mr. Kloza, the analyst.

The Renewable Fuels Association, an ethanol-industry trade group, said

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<http://online.wsj.com/article/SB10001424127887324096404578352223846017206.html>

refiners could market fuel blends with 15% ethanol. That would allow more ethanol to be sold and make more ethanol credits available. Lawmakers "knew that they were driving changes to the marketplace as well, and it's those marketplace changes that the oil companies are resisting," said Bob Dinneen, the association's president.

Refiners say consumers don't want 15% blends, largely because auto makers generally advise against using blends that high, except for models such as flex-fuel vehicles and some 2013 vehicles.

Marathon spokeswoman Angelia Graves said the high prices for ethanol credits showed that the government's mandate is "unworkable."

The EPA said it would determine this year's ethanol mandate after a public comment period closes in April and declined to address criticism of the rule until then.

Stephen Brown, Tesoro's vice president for federal-government affairs, said the situation could give U.S. refiners an incentive to export gasoline because exports aren't subject to the same ethanol requirements.

Study ties cancer deaths to alcohol

Risks, benefits vary among population groups

By Isabella Dills, Napa Valley Register, February 25, 2013

Consuming alcohol — even in moderation — increases the risk of dying from cancer, according to a recent study. Researchers also stated that the link between alcohol and cancer development is often “underemphasized” by doctors.

The study, published in mid-February in the *American Journal of Public Health*, states that alcohol is responsible for approximately 20,000 cancer deaths each year in the U.S. — equivalent to about 3.5 percent of all U.S. cancer deaths, according to a news release from the Boston University Medical Center.

Researchers from that medical center, the National Cancer Institute, the Alcohol Research Group, and others reported the findings after examining recent data on alcohol consumption and cancer mortality.

Breast cancer was the most common cause of alcohol-related cancer deaths in women, accounting for about 6,000 deaths annually, according to the study. Cancers of the mouth, throat and esophagus were common causes of alcohol-related cancer deaths in men, resulting in a total of about 6,000 annual deaths, according to the news release.

Researchers also found that alcohol-related cancer deaths accounted for an average of 18 years of potential life lost.

While heavy alcohol use led to a higher cancer risk, the study found that an average consumption of 1.5 drinks per day or fewer accounted for 30 percent of all alcohol-related cancer deaths.

David Nelson, the lead author of the study, said he was not surprised by the findings, because alcohol is known to be a carcinogen that causes cancer.

“There is no minimum or safe level when it comes to cancer and alcohol use,” Nelson said in a phone interview with the *Napa Valley Register*.

Exactly why alcohol increases cancer risk is not fully understood. One theory is that DNA becomes damaged as alcohol is broken down in the body. Indirectly, alcohol may also raise estrogen levels, increase body weight, or contribute to deficiencies in folate, which may lead to an increased risk of breast or gastrointestinal cancers, said Dr. Ethan Schram, of St. Helena Hospital’s Martin-O’Neil Cancer Center.

While the cancer risk associated with drinking alcohol is “in plain sight,” Nelson said the general public seems mostly unaware of it. He said scientific

researchers haven't done enough to get the message out.

Dr. Doug Wilson, a Napa physician who specializes in family medicine, said the study should be taken into careful consideration by moderate drinkers — especially women.

"Women should ask themselves if the pleasure they're getting from (drinking) is worth the risk," he said.

Wilson added that it's never too late to start making healthier choices.

"Any decrease in (alcohol) consumption is a decrease in risk," he said.

When contacted by the Napa Valley Register, the Napa Valley Vintners trade association declined comment, stating that its officials do not have medical expertise and do not typically comment on these kinds of studies.

Dr. Arthur Klatsky, an adjunct investigator at the Kaiser Permanente Northern California Division of Research, questioned some of the study's findings.

Heavy drinking is known to increase the risk of developing certain cancers, such as those of the mouth, liver, breast, colon and rectum, Klatsky said. Light or moderate drinking "slightly" increases the risk of breast cancer, but its effect on other forms of cancer is "not as clear-cut," Klatsky said.

For men and women over the age of 50, Klatsky said the benefits of moderate amounts of alcohol generally outweigh the risks. But advice needs to be "individualized," he said.

"One size does not fit all," Klatsky said.

An older man at risk for cardiovascular disease, for example, would benefit from moderate drinking, Klatsky said. But a young woman with little risk of cardiovascular disease should limit or avoid alcohol to lower her odds of developing breast cancer.

Schram, of the Martin-O'Neil Cancer Center, agreed that the results of the study should be kept "in perspective."

"Alcohol is socially and culturally an important part of life here in Napa Valley and many places in the country," he said. "The risk of being in a fatal accident on the road is five times higher than the risk of cancer death in moderate drinkers."

While the fear of developing cancer may motivate some people to quit or cut back, Schram said the risk is not high enough for most moderate drinkers to change their alcohol intake.

"It's important to keep in mind ... that the vast majority of moderate drinkers do not develop cancer and never will," Schram said. "I personally tell my patients that they can do most anything in moderation — except smoking."

http://napavalleyregister.com/news/local/study-ties-cancer-deaths-to-alcohol/article_218427d6-7fb2-11e2-9c5f-0019bb2963f4.html

CAPP contact: Charlie Peters

State calls BP, Arco careless with tanks

By Bob Egelko, San Francisco Chronicle, February 4, 2013

Attorney General Kamala Harris has accused a second major oil company of failing to properly maintain or inspect hundreds of underground gasoline tanks and of tampering with devices that are supposed to detect dangerous leaks.

Harris and district attorneys from eight counties sued BP and its subsidiary Arco in Alameda County Superior Court on Friday, alleging violations of laws that regulate the tanks that store fuel at more than 780 service stations in California.

Harris and local prosecutors filed a similar suit last month against ConocoPhillips and its affiliate, Phillips 66. Both suits say the companies have been flouting the law since 2006.

"California's hazardous waste laws safeguard public health and this lawsuit ensures proper maintenance of the tanks that store

fuel beneath California's communities," Harris said in a statement.

State inspectors had found violations of those laws at BP-Arco stations in 37 counties, she said.

There was no immediate comment from BP West Coast Products, lead defendant in the suit.

Among the violations alleged in the suit were failing to make sure a station's storage tank system was operating properly, failing to conduct monthly inspections or keep records, disabling or tampering with leak-detection devices, improperly disposing of hazardous waste, failing to train employees, and failing to maintain alarm systems.

The suit seeks court orders requiring compliance with the law and unspecified financial penalties.

Bob Egelko is a San Francisco Chronicle staff writer. E-mail: beigelko@sfchronicle.com

<http://www.sfgate.com/science/article/State-calls-BP-Arco-careless-with-tanks-4250787.php>

California sues BP and Arco, alleges violations at gas stations

By Ronald D. White, Los Angeles Times, February 4, 2013

California Atty. Gen. Kamala D. Harris has filed a civil lawsuit against BP West Coast Products, BP Products North America Inc. and Atlantic Richfield Co., accusing them of violating state laws on hazardous materials and hazardous waste.

The lawsuit accuses the parties of failing to properly inspect and maintain underground tanks used to store gasoline at more than 780 gas stations in California.

"Safe storage of gasoline is not only common sense, it is essential to protecting the integrity of California's groundwater resources," Harris said.

Harris added, "California's hazardous waste laws safeguard public health and this lawsuit ensures proper maintenance of the tanks that store fuel beneath California's communities."

The lawsuit filed in Alameda County Superior Court alleges that BP companies and Arco have improperly monitored, inspected and maintained underground storage tanks used to store gasoline for retail sale since October of 2006.

The lawsuit also accuses the companies of tampering with or disabling leak detection devices.

The lawsuit also alleges that the defendants improperly handled and disposed of hazardous waste and materials associated with the underground storage tanks at retail gas stations throughout the state.

<http://www.latimes.com/business/money/la-fi-mo-ag-sues-bp-and-arco-20130204,0,2267305.story>

Is Sunoco, BP & Shell ethanol in your tap water?

CAPP contact: Charlie Peters

State Sues BP, Arco Over Alleged Environmental Violations At Stations

San Francisco CBS Local, February 4, 2013 9:11 PM

OAKLAND (CBS SF) - California Attorney General Kamala Harris and district attorneys from seven counties across the state filed suit Monday alleging that BP and Arco have engaged in environmental violations at more than 780 gas stations in the state.

The lawsuit, filed in Alameda County Superior Court, alleges that BP West Coast Products, BP Products North America, Inc., and Atlantic Richfield Company have violated state laws governing hazardous materials and hazardous waste by failing to properly inspect and maintain underground tanks used to store gasoline for retail sale at gas stations in California.

Arco is a subsidiary of BP, which is headquartered in London.

Alameda County District Attorney Nancy O'Malley and prosecutors from Glenn, Merced, Nevada, Placer, San Bernardino, Stanislaus and Yuba counties joined Harris in filing the suit.

The suit claims that since October 2006 the BP companies and ARCO have improperly monitored, inspected and maintained underground storage tanks used to store gasoline for retail sale.

It alleges that the oil companies tampered with or disabled leak

detection devices, and failed to test secondary containment systems, conduct monthly inspections, train employees in proper protocol, and maintain operational alarm systems, among other violations.

The suit says inspectors from the Alameda County Department of Environmental Health obtained documents that showed that BP officials instructed their service stations in Alameda County to maintain gasoline leak detection sensors at a height contrary to California law.

The suit alleges that this resulted in leak detection sensors at multiple ARCO stations in the county to be positioned so they were unable to detect a fuel leak at the earliest possible opportunity.

Alameda County Deputy District Attorney Ken Misfud said prosecutors believe BP and Arco officials wanted less stringent leak detention standards to avoid having to shut down gas stations, as leaks can force stations to be closed for an entire day or longer and the companies consequently lose revenue.

The lawsuit also claims that the oil companies improperly handled and disposed of hazardous wastes and materials associated with the

underground storage tanks at retail gas stations throughout the state.

The suit says a statewide investigation found violations of hazardous materials and hazardous waste laws and regulations at gas stations in 37 counties across the state, including 28 gas stations in Alameda County.

Misfud said the suit is seeking an injunction ordering BP and Arco to comply with state law as well as unspecified fines and legal costs.

Misfud said the fines theoretically could be large because state law allows prosecutors to seek a fine of between \$500 and \$5,000 for each violation for every day there's a violation.

The attorney general's office filed a similar lawsuit against Phillips 66 and ConocoPhillips in January 2012.

O'Malley said in a statement, "The laws that regulate proper handling and storage of hazardous materials are not trivial. They exist to protect the precious and finite public resource that is a clean and safe environment." O'Malley said, "When a fuel leak occurs it can contaminate the soil and groundwater for decades. We will not tolerate the dangerous and irresponsible practice of cutting

corners on environmental regulations." Harris said in a statement, "Safe storage of gasoline is not only common sense, it is essential to protecting the integrity of California's groundwater resources. California's hazardous waste laws safeguard public health and this lawsuit ensures proper maintenance of the tanks that store fuel beneath California's communities."

BP said in a statement, "The majority of these alleged incidents are procedural violations concerning documentation. A small number of the alleged violations relate to the monitoring of tanks. None of the alleged violations posed any harm to human health or the environment."

BP said the attorney general's office "has been pursuing underground storage tank litigation with the refining industry for several years now" and BP, like other companies before it, has been in negotiations with the attorney general's office to try to settle the alleged violations.

The oil company said, "BP takes compliance seriously and has a comprehensive program to maintain compliance. As soon as BP learned about the alleged violations, BP took appropriate action to address the issues."

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<http://sanfrancisco.cbslocal.com/2013/02/04/state-sues-bp-arco-over-alleged-environmental-violations-at-gas-stations/>

CAPP contact: Charlie Peters

GMOs have long history at UC Berkeley

By Levon Minassian, Daily Californian, November 6, 2012

With national, state and local elections fast approaching, UC Berkeley faculty members and local activists gathered on campus Oct. 24 to discuss genetically modified foods in relation to Proposition 37, which would require foods containing genetically modified organisms, or GMOs, to be labeled.

One topic of discussion was the campus's involvement with GMO research, which has been a subject of controversy among faculty and researchers.

For more than 30 years, the campus has been at the forefront of GMO research and development. Many faculty members have been divided between work to bring genetically modified products to the marketplace and attempts to challenge their dispersal in the environment.

Research origins

The foundations for genetically modified foods began in the 1950s when scientists discovered that genes could be moved between organisms, said agricultural and resource economics professor David Zilberman. Medical genetic engineering soon took off and was applied to agriculture in the 1980s.

That's when UC Berkeley realigned several of its departments and changed some research focus to place a stronger emphasis on studying GMOs, according to Zilberman, who began teaching on campus in 1979.

Zilberman noted that the department of plant and microbial biology developed a stronger emphasis on genetic modification at that time. He attributed much of these changes to Daniel Koshland, the chair of the biochemistry

department at the time, who split the department into molecular and cell biology, integrative biology and plant and microbial biology. Zilberman said that Koshland wanted to "emphasize new techniques in science that can be used to produce new materials."

A 1980 U.S. Supreme Court decision allowed for the patenting of GMOs, according to environmental science, policy and management professor Ignacio Chapela. Chapela said patenting added monetary incentive for university professors to study the topic.

Ice-minus

In 1987, the ice-minus bacteria became the first genetically modified organism released into the environment, and it laid a blueprint for future research in the field. Plant and microbial biology professor Steven Lindow worked on the project, which took place in Tule Lake, Calif., and was the first study of GMOs to take place outside of a lab.

"Through our studies, we were able to identify bacteria of normal freezing damage, and we made mutants of (the bacteria)," Lindow said. "We made specific mutants useful for controlling frost damage, which prevented freezing injury in colonized plants."

Lindow said that by being able to identify bacteria of normal freezing damage, they were able to make mutants of it used for controlling frost damage. This was done in an attempt to prevent injury to colonized plants.

The goal of the project was to prevent frostbite on strawberries, and the project was never commercialized. Lindow said the

University of California has been central in breakthroughs in genetic modification over the years through work in areas like human growth hormone.

"We do fundamental research," said Lindow, who also worked for Advanced Genetic Sciences Inc., the first agricultural biogenetics company. "Occasionally, it has application to real world, and then some company or organization takes it to (the market)."

Flavr Savr tomatoes

The first GMO food sold on the market was known as the "Flavr Savr tomato," which was produced by professors from UC Berkeley and UC Davis with the intention of making tomatoes last longer. The research from the campuses was used by a company named Calgene, which was later acquired by agriculture giant Monsanto.

The intention of the product was to increase the shelf life of tomatoes, and its cans of tomato paste were clearly labeled "Genetically Engineered" and sold to European markets. Zilberman said the product "was not a commercial success" due to unwarranted stigma consumers associated with GMO foods.

"(Flavr Savr's failure) is relevant if people want to understand why (opponents of Prop. 37) are spending more than \$30 million to defeat the measure," Chapela said. "From the very beginning when GMOs were commercialized, they learned that if consumers were given information on it, they wouldn't buy it if they had a choice."

Bt cotton

Also borne of GMO research from Berkeley and Davis was Bt cotton,

which was "engineered to resist insect damage and soybeans genetically modified to withstand spraying with Roundup herbicide," said plant and microbial biology professor Peggy Lemaux.

Zilberman said the GMO was dispersed widely by Monsanto once it was approved for use and is still in use. He has argued in his work that the gene has had environmental benefits by reducing soil tillage and pesticide use in the fields.

Novartis deal

In 1998, UC Berkeley and biogenetics company Novartis, now known as Syngenta, agreed to a controversial deal that brought the campus \$25 million. Novartis originally sought to give the campus \$50 million in what was called a strategic alliance, but after a drawn-out debate between faculty, staff and community members, the company agreed to send only half of the amount to the department of plant and microbial biology.

"I had firsthand experience to see students encouraged to do research for the industry and only for the industry," Chapela said.

Lemaux disputed this charge, arguing that the basic research that can contribute to GMO work is not the same as corporate research.

"The regulatory costs of introducing an engineered crop into the commercial market would be beyond the financial means of an academic researcher," Lemaux said.

BP deal

The next major source of funding

for campus GMO research came in 2007 when British Petroleum selected UC Berkeley, in partnership with the Lawrence Berkeley National Laboratory and the University of Illinois at Urbana-Champaign, to lead a \$500 million research effort to find new sources of energy and lessen the environmental impact of energy consumption.

"The story of (GMOs being) released into the environment is intimately linked to the transfer of the university from a public university, where we do research publicly and for the common good, to a university where commercial influence is more and more important," said Chapela, who opposed the deal and stepped down as the faculty representative for the campus College of Natural Resources.

Campus spokesperson Robert Sanders said the BP deal, which funded the Energy Biosciences Institute and its work on ethanol production, did not alter faculty research incentives. He added that the money has been used to benefit the public through research on ways to mitigate global warming.

"(Berkeley researchers) found some interesting scientific questions in producing biofuels, so they extended the research to it," Sanders said. "They wouldn't be bothering if their research didn't provide the benefit of producing alternatives to fossil fuels."

Where we are now

Currently, UC Berkeley is at the forefront of the world's research of "genetically modified," according to Zilberman, which he said

contributes to the department of plant and microbial biology's high worldwide rank.

Lindow said there is "incontrovertible evidence" that research done on campus has shown GMOs to be safe and that measures should be taken to make it easier for new genetically modified crops to come to the marketplace in addition to the already widespread application of GMO soy, corn, cotton and canola

However, agroecology professor Miguel Altieri said most campus GMO research does little to improve the agricultural system to feed more people and instead focuses on ethanol production.

"In addition to feeding cars rather than people (25 gallons of ethanol require the amount of corn necessary to feed 1 person per year), there are many social and economic problems linked to devoting large areas of land ... to input dependent (lots of fertilizers and herbicides) monocultures," Altieri said in an email.

Sanders said current biofuel research being done by the Energy Biosciences Institute and the Joint BioEnergy Institute, a research center funded by the U.S. Department of Energy, is being used to break down sugars of nonfood plants like grasses to make it easier turn them into ethanol.

He maintained that campus work on biofuels is "a perfect way for reducing greenhouse gasses" and will continue to be the focus of research as opposed to agriculture in what he claims has been the tradition on campus over the years.

Contact Levon Minassian at lminassian@dailycal.org.

<http://www.dailycal.org/2012/11/05/gmos-have-long-history-at-uc-berkeley/>

CAPP contact: Charlie Peters



Clean Air Performance Professionals

Sunday, September 23, 2012
Mr. President
Barack Obama
1600 Pennsylvania Ave NW
Washington, DC 20500
(202) 456-1414 / 2461 fax

Clean Air Performance Professionals (CAPP)
21860 Main Street, Ste A
Hayward, California 94541
(510) 537-1796
cappcharlie@earthlink.net

Aloha Mr. President,

It is reported that corn along I-5 south of Sacramento uses up to 1500 gallons of water to grow corn for 1 gallon of GMO ethanol for our gas tanks.

Should Governor Brown consider a (GMO) corn ethanol fuel waiver supported by the UN?

Is fed EPA confused when a Lodi, California bread baker is taken to federal court to collect \$625,000.00 fine for generating ozone from the ethanol made by baking bread while mandating GMO corn fuel ethanol in our gas that may be a bigger deal than MTBE to our ground water supply.

Do water folks check for ethanol in our drinking water? Drinking ethanol maybe rated as causing cancer but MTBE never has.

Does Alcohol, Tobacco, & Firearms (ATF) audit for the payment of the \$17 tax of food grade corn ethanol from fuel refiners?

Let's see, a 5,000 gallon tanker truck can move around a \$85,000.00 tax and a reported \$0.50 cent per gallon process can move fuel grade to food grade.

The last time my mom and I saw the spreading banyan tree at Waikiki was shortly after Dec. the 7th 1941.

Aloha, Thank you for your service.

CAPP an award winning coalition of motorists.

Charlie Peters
Cc: interested parties

CAPP contact: Charlie Peters

EPA: Lodi bakery cited for ethanol emissions

The Sacramento Bee, The Associated Press, June 28, 2012

LODI, Calif. -- The Environmental Protection Agency says a San Joaquin Valley bakery was emitting more than just good odors during the bread baking process.

Cottage Bakery in Lodi has been cited for allegedly releasing ozone-producing ethanol as well. The EPA says the commercial bakery failed to obtain permits for new ovens and install air pollution controls.

The bakery must pay a \$625,000 penalty as part of a settlement filed in federal court this week. The settlement still requires the court's approval.

Cottage Bakery's parent company, Ralcorp Frozen Bakery Products, Inc., says the violations occurred before it acquired the bakery, and it has since invested more than \$1.4 million to ensure the bakery is in compliance with environmental regulations.

<http://www.sacbee.com/2012/06/28/4596854/epa-lodi-bakery-cited-for-ethanol.html>

NO on CA / AB 523 & SB 1396 unless the ethanol mandate is changed to voluntary.

CAPP contact: Charlie Peters

BP-ARCO Fined Millions for Storage Tank Leaks

Environment News Service, June 20, 2002

SAN FRANCISCO, California, June 20, 2002 (ENS) - Oil giant BP-ARCO will spend \$45.8 million to settle charges that it installed inadequate underground storage tanks in at least 59 Arco gas stations in California. The leaky tanks may have allowed gasoline and the additive MTBE to leak into soil and groundwater, prosecutors charged.

"My administration has moved forcefully to make sure that California's vital water supply is protected now and for years to come," said California Governor Gray Davis. "Protecting our ground water from potentially leaking tanks, with or without MTBE, is a top priority."

California Attorney General Bill Lockyer filed the agreement Wednesday, noting that the settlement includes the largest penalty ever imposed for underground tank violations.

"Gasoline stations were given 10 years to make required safety upgrades to underground fuel storage tanks to better safeguard our water supplies and protect the environment from unseen leaks," Lockyer said. "The landmark settlement ends our two year investigation which found that ARCO failed to make required safety improvements at 59 service stations spread across the state from San Diego in the south to Sacramento and Marysville in the north and failed to disclose the truth to government officials."

The case was based on investigations of underground tanks by the California Environmental Protection Agency, state Water

Resources Control Board and the San Francisco Department of Health.

"This is an example of state and local officials working together to protect our environment," said San Francisco City Attorney Dennis Herrera. "By combining our resources, we have been able to avert a long court battle and get a settlement that is good for the health and safety of the entire state."

In 1987, California gave gasoline stations a 10 year deadline by which to meet strengthened underground fuel tank standards for corrosion protection, leak detection, spill prevention and environmental protection. Upgrades such as the use of double walled or non-corrosive fiberglass linings were required to be installed by December 22, 1998.

Responding to industry concerns that delays in government inspections could result in service stations closures, oil companies were allowed to self certify completion of upgrade work. Violations could result in civil penalties of up to \$5,000 per day.

ARCO sponsored the legislation allowing self certification, and in 1998, the oil company sued several local regulatory agencies in California who would not issue the upgrade certification without actual on site inspections.

The state's investigation found that ARCO falsely self certified some of its own stations, claiming they had fiberglass tanks and piping, when portions of the piping were actually

unprotected steel, which can corrode and leak.

Prosecutors argued that ARCO's actions provided the company with an unfair business advantage. While other companies were shutting down service stations to meet the deadline for underground tank improvements, ARCO continued selling gasoline at 59 stations, postponing upgrade costs and hiring contractors to do the work after the rush by other companies seeking to meet the state deadline.

The settlement provides for \$25 million in penalties and costs to be paid by ARCO and \$20.8 million in improvements that the oil company claims it has already made, but must now demonstrate have been completed at its gas stations. The payment includes civil penalties, reimbursement of investigation and enforcement costs and funding for the prosecution of other environmental protection cases.

The company also agreed to court enforceable monitoring, inspection and enforcement conditions at more than 900 ARCO stations in California. ARCO merged with BP Amoco in April 2000.

"We believe that ARCO, which cooperated in this enforcement case, is now in full compliance with the upgrade standards at all its gasoline stations," Lockyer said. "As further assurance, the oil company under the settlement must provide state inspectors with access to ARCO stations and close immediately any gasoline stations discovered with upgrade violations until required improvements are made."

<http://ens-newswire.com/wp-content/uploads/2010/05/2002-06-20-08.html>

CAPP contact: *Charlie Peters*

Water groups oppose ethanol as MTBE replacement

National Trade Publications, Secure.gvmg, April 17, 2002

WASHINGTON — Replacing methyl tertiary butyl ether (MTBE) with the fuel additive ethanol could result in further water contamination and higher gas prices, three water organizations told Senate Majority Leader Tom Daschle this week.

The Association of California Water Agencies (ACWA), Sacramento; American Water Works Association (AWWA), Denver; and the Association of Metropolitan Water Agencies (AMWA), Washington, said in a letter to Daschle, D-SD, that they support ending the use of MTBE.

MTBE is a fuel oxygenator that purportedly helps clean emissions from vehicles, but is found to be a groundwater pollutant and health risk. Ethanol is often talked about as its replacement.

But "replacing MTBE with ethanol runs the serious risk of repeating costly environmental mistakes," the letter said, without evidence that it benefits clean air and without evidence there are no health risks associated with it.

"Putting ethanol on gasoline, at any levels, would almost certainly result in higher prices at the pump and new instances of possible water contamination," the letter stated.

ACWA, AWWA and AMWA also oppose language in the Energy Policy Act of 2002's ethanol provision that features the creation of a "renewable fuels safe

harbor," that the groups claim gives liability protection to ethanol marketers.

The groups cited a 1999 study by the University of California that concluded the state could meet its clean air goals without oxygenated fuel.

Copies of the groups' letter were sent to US senators Dianne Feinstein, D-CA, and Barbara Boxer, D-CA, who also oppose the use of MTBE.

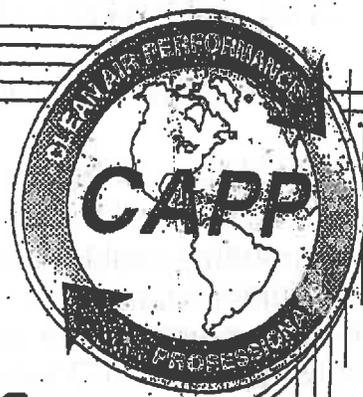
In October 2000, Feinstein introduced five bills to deal with MTBE, and on 11 April, Boxer said in a statement on her website that she would offer an amendment to hold ethanol producers responsible for any future damage to the environment or any threat to public health.

Boxer said she would also introduce a second amendment to encourage the use of ethanol produced from agricultural biomass, such as rice straw and sugarcane residue, as an alternative to corn-based ethanol. That approach, she said, would help prevent supply disruptions that can translate into unfair gas prices for consumers.

California once intended to stop using MTBE next year, but last month, concerned about possible increased gas prices at the pump caused by ethanol, Gov. Gray Davis postponed the MTBE ban, giving refineries up to an additional 12 months for the transition from MTBE to ethanol.

https://secure.gvmg.com/watertechonline/newsprint.asp?print=1&mode=4&N_ID=30919

CAPP contact: Charlie Peters



Clean Air Performance Professionals

What They Didn't Say

Stella, Hemmings Motor News, MARCH 2001

(Gary Condit, Dick Cheney, Chandra Levy, ENRON, Arnold, Gray Davis, MTBE, ethanol & Alex Farrell)

(snip)

“Rep. Gary A. Condit (D-Calif.) has introduced legislation, in the opening days of the 107th Congress, to help drive gasoline prices down while protecting the environment. HR 52 seeks to relieve California from federally mandated year-round gasoline oxygenate requirements while preserving the full benefits of California’s reformulated gasoline program. Condit introduced the bipartisan legislation with another member of the California delegation, Rep. Chris Cox. ‘California already meets Environmental Protection Agency requirements for reducing emissions of toxic air pollutants and ozone-forming compounds,’ Condit said. ‘When a state meets these requirements, under this legislation, they would not be required to add oxygenates to gasoline’.”

<http://clubs.hemmings.com/clubsites/capp/mar01.html>

GAPP contact: Charlie Peters

"THE FIGHT OVER MANDATES"

Stella Sez, Hemmings Motor News, JULY 2000

In a letter sent to the Assistant Administrator of the Environmental Protection Agency, Robert Perciasepe, the Renewable Fuels Association (RFA) urged the EPA to deny California's request for a waiver from the federal reformulated gasoline (RFG) oxygen standard, "because their request fails to demonstrate that fuels without oxygenates, like ethanol, improve air quality."

Meanwhile, US Senator Peter G. Fitzgerald (R-Illinois) is urging that lawmakers designate \$14 million for a Southern Illinois University (SIU) ethanol facility. After more than a decade of pleas by the farm community and unsuccessful appropriations battles in Congress, the national ethanol research plant at SIU may become a reality. (Does Colorado already have a federally funded ethanol facility?) The final version of this year's crop of insurance reform bills will provide full federal funding for the project, if it is approved by Congress.

However, it has been reported by the Lake Tahoe "Daily Tribune" that ethanol is polluting Lake Tahoe's groundwater. Earlier this year, ethanol replaced MTBE in all reformulated gasoline sold in and around Lake Tahoe. Ethanol has been detected in Lake Tahoe's groundwater at concentrations as high as 130,000 parts per billion (ppb).

Is Ethanol A Cancer Risk?

Unlike MTBE, little is known about the impacts of ethanol releases into groundwater or the environment. However, because ethanol is the primary ingredient of beverage alcohol, which is classified by the

California Proposition 65 Committee and other cancer experts as a human carcinogen, many are concerned about the possibility that ethanol may pose a cancer risk. Additionally, independent researchers have determined that ethanol in groundwater can extend plumes of other more potent gasoline carcinogens (benzene, toluene, etc.) up to 25%. In addition, ethanol is less effective than MTBE at fighting air pollution, and due to transportation and supply problems, will likely increase gasoline prices.

Additional reports are concerned about the high sulfur content of gasoline. The auto industry is calling on CARB and EPA to lower sulfur levels. The sulfur content of denatured ethanol is receiving increased attention as politicians and refiners simultaneously attempt to lower MTBE and sulfur levels in the gasoline pool. The topic received considerable attention during a California Air Resources Board (CARB) workshop in April on CaRFG3. CAPP President Charlie Peters attended the workshop and according to a presentation given there, sulfur levels in ethanol, once denatured, are being called into question. CaRFG3 calls for 20 ppm of sulfur. CARB requested samples because reports are that ethanol may contain between 60-160 ppm of sulfur.

Recently, the National Institute for Environmental Health Sciences (NIEHS) released its congressionally mandated report on cancer-causing substances. The report declined to list MTBE as a cancer-causing agent or as an agent likely to cause cancer, however, but did add ethanol-based

beverage alcohol to the list of known carcinogens.

"Super Clean Gasoline"

"Super Clean Gasoline" is on it's way to many gas stations. This month, a new type of reformulated, smog-reducing gas will be required in Boston, New York, Washington, Philadelphia, Houston, Dallas, Chicago and other major cities. The EPA predicts that the new fuel will cost up to two cents a gallon more than conventional gas to produce, and the costs will be passed on at the pump. But even before this new gasoline is introduced, the battle to delay it's introduction has been waged. The EPA has rejected requests for a temporary waiver from Illinois and Wisconsin. The EPA recently awarded a temporary waiver to St. Louis as pipeline problems restricted supply of the new grade to the area. Does the "new" RFG 2 have MTBE in it, or ethanol? I asked that question of Mr. Donald Bea of the Inspection and Maintenance Review Committee (IMRC). He told me the 2% oxygenate mandate is still in place. He also said the RFG 2 has lower sulfur and lower Reid Vapor Pressure (RVP). Mr. Bea also mentioned that because of the lower RVP required in the Northeast, ethanol may not be used.

In New York, Governor George Pataki signed two major environmental initiatives into law, including a ban on MTBE that has polluted underground water supplies. According to the "New York Times" article, "Mr. Pataki also signed legislation that tries to limit the amount of pollutants that now drift into New York from coal-

burning power plants in Midwestern and Southern states, causing acid rain. The measure seeks to stop New York companies from selling pollution allowances. The credits, essentially the right to pollute, are awarded to companies that cut their own emissions below a federal standard. The credits are now sold on the open market, usually to utilities with older power plants that find it cheaper to buy such credits instead of modernizing their plants and cutting their emissions.

"The new law calls for the state to seize all proceeds that a New York utility makes from selling its credits to polluters in the Midwest and the South. The law allows state regulators to impose a fine equal to the amount of such a sale; the fine would be used to promote development and the use of nonpolluting energy sources like solar power. The law limiting pollution credits goes into effect immediately, and the ban on MTBE is to take effect in January 2004."

Beware Of The Texas Emission Patrol

The first wave of Houston-area vehicle owners is scheduled to appear in justice-of-the-peace courts to explain why they didn't obey letters ordering them to have their vehicles tested for excessive emissions. Commuters in the Dallas-Fort Worth area also have been summoned to court. The citations were issued in May after random roadway tests, conducted since the end of 1998, detected vehicles that emitted excessive pollutants. The owners, identified by their license plate numbers, were sent letters directing them to have their vehicles inspected at an emission-testing station. Thus far, 125 people have received citations for failing to heed the letters, a

criminal violation that carries a fine of up to \$350.

The Texas Legislature ordered random roadway testing of cars in 1995 after lawmakers abandoned a plan that would have required regular emissions testing for vehicles in Harris and its surrounding counties. The 1995 decision was viewed as a compromise to spare commuters who live outside Harris County the burden of having their vehicles undergo annual emissions testing. The remote testing, done from a van at random locations that commuters use, is conducted by a contractor who uses a sensing unit, a camera and a device that measures a vehicle's speed and acceleration.

Charlie Peters and I attended the IMRC meeting at the California Air Resources Board hearing room in Sacramento on May 31. This meeting was of special interest, as the subject was Smog Check evaluation report to the Governor and Legislature. The reports done by the IMRC and CARB/BAR were reported to be based on many assumptions as well as computer models. The perception created appeared to be an attempt to resolve differences between the reports. CARB seems to support separation of test and repair and the IMRC supports remote sensing, creating a debate between A and B: remote sensing and separation of test and repair. Some options under consideration CARB mentioned (to comply with the perceived shortfall of meeting the State Implementation Plan [SIP]), were: putting 1966 to 1973 cars back into the program (goodbye SB-42); more stringent cut points to increase effectiveness; increasing the cut points halfway between current cut points and what is

required in the SIP. A chart showing SIP hydrocarbon cut points are more stringent for older cars than newer cars. I will report more on this next month.

HALT In The Name Of The Law

No more high-speed police pursuits, ever. That is the goal of a new technology demonstrated during the California Peace Officers Association's annual conference. The device is cunningly dubbed "High speed Avoidance using Laser Technology," or HALT. If implanted in cars, the small microsensor would allow police with a remote control laser gun to force motorists to a slow, safe stop from up to half a mile away.

The sensor would be embedded near the license plate, giving officers something to aim at. Implanting the device into a new car would cost about \$20. Retrofitting cars already on the streets with the sensors would cost about \$100. California sources reported that it was mentioned on the evening news that you would not be able to re-register your vehicle unless you had this installed!

Last but not least, the Pennsylvania Newspaper Association, a non-profit organization representing 300 publications, filed a "friend of the court" brief supporting the contention that Commonwealth Court erred in concluding that documents concerning the state's \$145 million settlement with Envirotec Inc. did not constitute "public records." The California company had been contracted to build and operate auto emissions-testing centers throughout Pennsylvania; the Ridge administration agreed to the buyout after canceling the contract. The case is scheduled for September.

<http://clubs.hemmings.com/capp/july.html>

CAPP contact: Charlie Peters