

E85 FLEX FUEL MARKET UPDATE

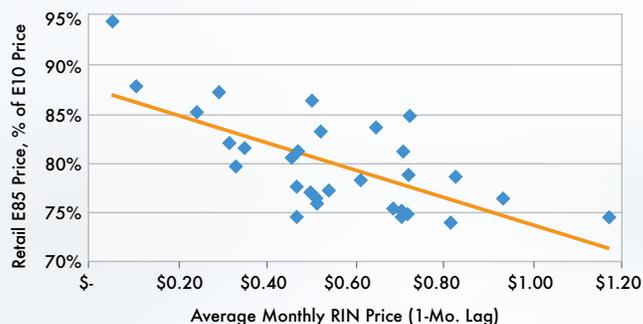
FLEXING FUEL CHOICE

The market for E85 and other flex fuels took two steps forward and one big step backward in 2015. First, the population of flex-fuel vehicles (FFVs) continued to grow, meaning more consumers have the ability to choose E85 and other flex fuels at the pump. Second, more retail gas stations began offering E85, with significant growth occurring in the densely populated southeast and west coast regions. These two important developments helped move E85 forward in 2015.

However, the Obama Administration dealt a major setback to the E85 market last year when EPA refused to enforce statutory Renewable Fuel Standard (RFS) requirements. Setting the RFS volumes at the levels specified by Congress would have allowed the program's RIN credit mechanism to drive increased investment in E85 and competitive retail pricing, finally breaking the so-called "blend wall." Ironically, even EPA recognizes that the RIN market is an important tool for "... providing an incentive for the continued growth of renewable fuels in the transportation fuel market without causing overall increases to the retail price of transportation fuel." Indeed, an analysis by Iowa State University found that the original 2016 RFS requirement of 15 billion gallons could be met if EPA would simply "...allow the market for RINs to work as intended, which will allow the price of E85 to fall to induce consumers to buy the fuel."

Still, innovative E85 blenders and retailers refused to let EPA control their destiny. More and more ethanol producers are blending E85 themselves or working directly with retail partners. This allows them to cut out the "middle man" and ensure consumers get the best deal possible. In addition, significant efforts—including a landmark U.S. Department of Agriculture grant program—are under way to further expand E85 retail infrastructure.

Minnesota E85 Prices (as a Percentage of E10 Prices) and RIN Values (Jan. 2013-July 2015)



Source: Minnesota Dept. of Commerce and OPIS

Data from the Minnesota Department of Commerce and OPIS clearly show that as RIN values increase, the price of E85 relative to the price of E10 decreases.



"A clear and consistent message from EPA is needed to foster investment in fueling stations that will allow enough consumers to access E85."

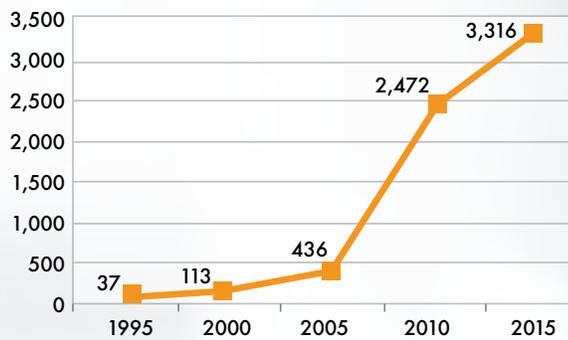
– Iowa State University Professors
Bruce Babcock and Sebastien Pouliot



“EPA has provided obligated parties—who would rather be selling fossil fuels—a roadmap for how to prevent further growth of the renewable fuel industry.”

– Steve Walk, Executive Vice President, Protec Fuels (Florida-based fuel marketer)

U.S. Retail Stations Offering E85 Flex Fuel



Source: Alternative Fuels Data Center and E85Prices.com

How Do RINs Work to Lower E85 Prices?



Source: RFA