

Putting the Ethanol into EMV

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Many retailers face infrastructure costs that are simply out of reach. Financing is not as easy as it used to be, and upcoming challenges like EMV can be too much for small and medium retailers. For those in this situation, a strange friend can provide financial assistance to help offset costs. Ethanol has become a standard part of our nation's fuel supply due to the phase out of MTBE and the Renewable Fuel Standard (RFS). Sure, ethanol-free gasoline is out there, but for the most part, varying blends of ethanol occupy nearly every gallon of gasoline sold from E10 to E85.

In July 2012, E15 became available to consumers, first appearing in Kansas, and has since spread into 30 states. E15 is approved for 2001 and newer light duty cars, trucks, and SUVs, along with all flex fuel vehicles (FFVs). This vehicle segment is more than 80% of all vehicles on the roads today, and consumes more than 90% of all unleaded fuel. When E15 first debuted, you heard from ethanol opponents about how bad this fuel would be, the misfueling concern for retailers, and the damage that would come from its presence in the marketplace. Well, four and a half years later, there has not been one reported case of misfueling or engine damage. Millions upon millions of gallons of E15 have been sold, and all at a discount to E10. In fact, E15 is averaging a 2% discount to E10 today.

The cost of getting into E15 was also grossly misstated by ethanol opponents. The first station in Kansas had to change labels, and I provided those to the retailer at no cost. That said, we know that every station is different and will likely require different upgrades. Some stations may need new dispensers, while others might need a new tank or to replace some underground piping. But it is simply careless to state that all stations will need expensive upgrades. Underground fiberglass piping and fittings installed in service stations have been compatible with up to 100 percent ethanol for more than 40 years. Double wall underground storage tanks built in 1990 or later are fully comparable for ethanol levels up to 100%.

The cost for retailers is unknown until an equipment site survey is conducted. Can you spend hundreds of thousands of dollars installing E15? Sure. Do you need to do so? Not likely. Find out for yourself. Don't just trust a blanket statement from someone that doesn't want you to make the move anyway.

However, E85 is a different animal. The fuel blend, which debuted in 1996, is restricted to FFVs. These vehicles can use any blend of ethanol from 0% to 85% and there are more than 21 million of these vehicles on the roads today. E85 requires different infrastructure than E10, or even E15. Most tanks are compatible, but the majority of dispensers



will either require a conversion kit or new equipment. All dispenser manufacturers offer E85 capable equipment, along with all other manufacturers that produce various other fuel system components. Because E85 is an alternative fuel, it is protected under the Petroleum Marketing Practices Act (PMPA) and existing branding contracts cannot prohibit you from offering E85.

Let's get back to the money and how ethanol can help you! Many Midwest states have provided incentives to drive ethanol production and consumption with retailer incentives. Some states have grant programs, while others have tax credits. There are even initiatives from ethanol supporters like state corn grower organizations that help provide retailers with funding to help offset costs of installing infrastructure to support higher blends of ethanol. The State of Iowa, for example, offers a grant that will cover more than 70% of the costs of equipment and installation.

The U.S. Department of Agriculture (USDA) has provided limited funding opportunities for fuel retailers in the past, but that was restricted to very small businesses in rural areas through the Rural Energy for American Program (REAP). The announcement of USDA's Biofuels Infrastructure Partnership (BIP) Program changed that history. USDA offered \$100 million for infrastructure to offer higher blends of ethanol like E15 and E85. This money was matched with an additional \$110 million from states, fuel retailers, ethanol proponents, and the ethanol industry to make the program \$210 million strong. Funding was distributed to 23 different states to manage with the goal of installing nearly 5,000 new dispensers at approximately 1,500 stations. This program will continue through 2017.

The ethanol industry also has an infrastructure initiative called Prime the Pump. This effort has awarded numerous chains

with funding to help them with costs to introduce E15 and E85. Several awards have been given out to notable chains across the country.

The cost of getting into higher blends of ethanol continues to evolve. If you missed the announcement in August, Wayne Fueling Systems has stopped producing its Ovation dispenser as E10-only, and now only offers those dispensers as E25 and E85 capable. Its Helix model will follow suit sometime in early 2017. If you have ordered a Wayne Ovation dispenser since late June, your dispenser can sell blends up to E25 (the rest of your fuel system should be evaluated before such a switch).

EMV compliance can be expensive, but ethanol can help you out. Not only can it help offset the costs you already will be required to spend, but it also can help differentiate yourself from the competition. Since annual surveys show that more than 70% of consumers base their fuel purchasing decision on cost alone, wouldn't having a higher ethanol blend like E15 make sense? It is higher octane at a lower price, and approved for more than 80% of the vehicles on the roads today. If E15 or E85 were a problem, do you think several major chains would have made the leap?

The Renewable Fuels Association (RFA) represents the U.S. ethanol producers, and has been doing so since 1981. We do not have anything to sell, but we do have lots of information to give away. We can help you track down the money, fill out the applications, do site equipment surveys, and even help pick out the right conversion kits or equipment. If you are interested in learning more about available funding and equipment options, please don't hesitate to contact me directly at rwhite@ethanolrfa.org or our Director of Market Development, Cassie Mullen, at cmullen@ethanolrfa.org. ★