MEMORANDUM

DATE: May 23, 2005
TO: Robert Dinneen, RFA
FROM: John M. Urbanchuk
SUBJECT: Economic impact of an 8 billion-gallon RFS by 2012

The U.S. ethanol industry produced a record 3.4 billion gallons of ethanol in 2004 on end-of-year capacity of more than 3.6 billion gallons. A Renewable Fuels Standard that would provide for a market of 8 billion gallons by 2012 would require a doubling of the ethanol industry and would provide a significant impact to the American economy. Specifically:

- The ethanol industry will spend an estimated $6 billion (2005 dollars) to build 4.3 billion gallons of new ethanol capacity between 2005 and 2012.

- The industry will spend nearly $70 billion (2005 dollars) on goods and services required to produce 8 billion gallons of ethanol by 2012. Purchases of corn, the primary feedstock for ethanol production, alone will total $43 billion (2005 dollars) between 2005 and 2012.

- The combination of this direct spending and the indirect impacts of those dollars circulating throughout the economy will:
  - Generate an additional $43 billion (2005 dollars) of household income for all Americans between 2005 and 2012, and
  - Create as many as 234,840 new jobs in all sectors of the economy by 2012.

- An RFS also will have significant positive implications for the nation’s energy balance. The production and use of 8 billion gallons of ethanol by 2012 will displace 2.125 billion barrels of crude oil and reduce the outflow of dollars largely to foreign oil producers by $64.1 billion (2005 dollars) between 2005 and 2012. As a result of the RFS America’s dependence on imported oil will be reduced from an estimated 67.4 percent to 62.3 percent.