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NEWS

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ETHANOL: FUEL OF THE FUTURE
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DRAMATIC CHANGES IN NATIONAL ENVIRONMENTAL REQUIREMENTS AND A HEIGHTENED AWARENESS OF THE TREMENDOUS BENEFITS TO RURAL ECONOMIES, INCREASED EXPORT MARKETS, DOMESTIC ENERGY SECURITY AND REDUCTIONS IN FARM PROGRAM COSTS ARE ALL COMING TOGETHER TO CREATE THE MOST EXCITING MARKETPLACE OPPORTUNITIES EVER FOR ETHANOL AND ETHANOL BLENDED FUELS IN THE UNITED STATES.

BEGINNING AS A 10 MILLION GALLON A YEAR INDUSTRY, ETHANOL PRODUCERS ARE SELLING OVER 1 BILLION GALLONS OF ETHANOL ANNUALLY WITH BLENDERS PROVIDING OVER 9 BILLION GALLONS LAST YEAR OF ETHANOL-ENHANCED FUELS IN 45 STATES. OVER A TRILLION MILES HAVE BEEN DRIVEN ON ETHANOL BLENDED GASOLINES SINCE 1980 MAKING ETHANOL THE MOST SUCCESSFUL ALTERNATIVE LIQUID FUEL IN THE COMMERCIAL MARKETPLACE.

THE PROSPECTS FOR ETHANOL'S FUTURE ARE BRIGHTER TODAY THAN AT ANY TIME IN ITS HISTORY. ETHANOL REMAINS THE CLEANEST AND HIGHEST PERFORMANCE OCTANE FUEL ADDITIVE IN TODAY'S MARKETPLACE. AS THE ONLY RENEWABLE FUEL, IT IS TRULY "AMERICA'S FUEL".

ENERGY SECURITY

ACCORDING TO THE U.S. OFFICE OF TECHNOLOGY ASSESSMENT, "IN LESS THAN 20 YEARS, AMERICA COULD BE DEPENDANT ON FOREIGN SOURCES FOR ALMOST THREE QUARTERS OF ITS OIL". FURTHER, IN 1990, IMPORTS SUPPLIED 42 PERCENT OF U.S. OIL NEEDS -- 7.1 MILLION BARRELS PER DAY OUT OF TOTAL CONSUMPTION OF 16.9 MILLION BARRELS PER DAY. THE IRAQI-KUWAIT CONFLICT HAS ONLY SERVED TO UNDERSCORE THAT SUPPLY DISRUPTIONS IN MAJOR OIL PRODUCING AREAS OF THE WORLD CAN OCCUR. AS A NATION, IT IS IMPORTANT TO RECOGNIZE THE NEED TO PREPARE FOR PROLONGED SUPPLY DISRUPTIONS -- BEFORE THEY OCCUR. ETHANOL IS, AND SHOULD BE, PART OF THAT STRATEGY.

AS A MATTER OF DOMESTIC ENERGY SECURITY, ETHANOL IS DERIVED FROM A WIDE VARIETY OF RENEWABLE FEEDSTOCKS INCLUDING GRAIN, CHEESE WHEY, CITRUS WASTES, FORESTRY RESIDUES, AND OF COURSE, THE MOST PREDOMINANT, CORN.

CONSIDER THESE FACTS FROM THE RENEWABLE FUELS ASSOCIATION:

- * ETHANOL PRODUCTION ADDS 15 CENTS A BUSHEL TO THE MARKET PRICE FOR CORN.
- * FOR EACH 100 MILLION BUSHELS OF CORN USED TO PRODUCE ETHANOL, 2250 NEW RURAL JOBS ARE CREATED.
- * ACCORDING TO THE NATIONAL ADVISORY PANEL ON ETHANOL COST-EFFECTIVENESS, EACH BILLION GALLONS OF ETHANOL PRODUCTION INCREASES EMPLOYMENT BY MORE THAN 4,400 FARM JOBS AND 3,700 INDUSTRIAL JOBS.
- * FUEL ETHANOL PRODUCTION CREATES NEW DOMESTIC MARKETS FOR U.S. AGRICULTURAL PRODUCTS AND SUPPLEMENT CONVENTIONAL AND EXPORT MARKETS --- INCLUDING OVER \$600 MILLION IN EXPORTS LAST YEAR, PRIMARILY OF CORN GLUTEN.

AS FARMERS PRODUCE MORE CORN IN A "VALUE ADDED" MARKET, CONSUMERS BENEFIT FROM CLEANER AND MORE COST COMPETITIVE GASOLINE; TAXPAYERS BENEFIT FROM REDUCED FARM PROGRAM COSTS AND REDUCED OIL DEPENDENCE AND THUS A SMALLER TRADE DEFICIT.

* THE 900 MILLION GALLONS OF FUEL ETHANOL PRODUCED IN THE U.S. IN 1990 REDUCED OIL IMPORTS BY MORE THAN 40 MILLION BARRELS OF CRUDE OIL; A LITTLE MORE THAN 28 GALLONS OF CORN-DERIVED ETHANOL DISPLACES ONE BARREL OF IMPORTED OIL; ONE ACRE OF CORN PRODUCES THE EQUIVALENT OF 10 BARRELS OF CORN.

* A REPORT PREPARED BY THE U.S. GAO CONCLUDED THAT THE PRODUCTION OF ETHANOL ACTUALLY SAVES THE FEDERAL GOVERNMENT MONEY BECAUSE OF REDUCED FARM PROGRAM COSTS AND INCREASED FARM INCOME. THE AVERAGE NET IMPACT TO THE FEDERAL GOVERNMENT WOULD BE A SAVINGS OF \$460 MILLION TO \$610 MILLION ANNUALLY.

(MORE)

* ABOUT HALF THE INDEPENDENT MARKETERS USE ETHANOL TO MAKE THEM MORE COST COMPETITIVE WITH OTHER NAME BRANDS AND ACCOUNT ABOUT 80-85 PERCENT OF THE ETHANOL PRODUCED.

ETHANOL OF COURSE DERIVES ITS WELL DESERVED REPUTATION AS A RELIABLE DOMESTIC SOURCE OF ENERGY BECAUSE IT IS RENEWABLE. ACCORDING TO THE NATIONAL CORNGROWERS ASSOCIATION, THE U.S. CORN INDUSTRY HAS THE CAPACITY TO PRODUCE ENOUGH CORN TO SATISFY DEMAND FOR FIVE BILLION GALLONS OF ETHANOL ANNUALLY BY THE YEAR 2000, AND EIGHT BILLION GALLONS BY 2010 -- THE EQUIVALENT OF 3.2 BILLION BUSHELS OF CORN. MOREOVER, THE CORNGROWERS REPORT, THIS LEVEL OF PRODUCTION CAN BE MET WITH RELATIVELY SMALL INCREASES IN TOTAL AREAS PLANTED TO CORN WITH NO IMPAIRMENT IN OUR ABILITY TO SUPPLY CORN TO WORLD MARKETS, AND A NEGLIGIBLE IMPACT ON LIVESTOCK AND POULTRY PRODUCERS AND CONSUMER FOOD PRICES.

I HAVE ALREADY TOUCHED ON FARM PROGRAM SAVINGS, HOWEVER, I THINK WE COULD ALL AGREE THAT THIS MARKET WOULD ONLY SERVE TO FURTHER INCREASE FARM PROGRAM OUTLAY SAVINGS AND REDUCE THESE EXPENDITURES.

ETHANOL: AMERICA'S TRANSPORTATION FUEL

ONCE DERIDED AS BAD FOR CAR ENGINES, ETHANOL BLENDED FUELS ARE APPROVED UNDER THE WARRANTIES OF ALL 19 DOMESTIC AND FOREIGN AUTOMOBILE MANUFACTURERS MARKETING VEHICLES IN THE UNITED STATES. WITH THE INCREASED EMPHASIS TO REDUCE AUTO EMISSIONS AND ADDRESS ENVIRONMENTAL CONCERNS ABOUT FUELS, THE GROWTH POTENTIAL FOR ETHANOL FUELS, INCLUDING ETBE MARKETS IN THE FORM OF ETBE, IS TREMENDOUS.

I PREDICT THAT REFINERS WILL FIND RENEWED INTEREST TO INCREASE ETHANOL AND ETBE USE BECAUSE OF THE NEW DEMANDS FOR OXYGEN-BLENDED FUELS. BECAUSE OF LOWER VOLATILITY AND SUPERIOR BLENDING CHARACTERISTICS, ETBE MAY BECOME THE OCTANE/OXYGENATE FUEL OF CHOICE BY REFINERS OVER MTBE, THE PETROLEUM DERIVED OXYGENATE MANUFACTURED TODAY BY SEVERAL OIL COMPANIES.

HOWEVER, LETS FACE IT, MAJOR PETROLEUM REFINERS ARE RELYING MORE AND MORE ON IMPORTED METHANOL AND MTBE. REGARDLESS OF THE POLICY IMPLICATIONS OF SHIFTING FROM IMPORTED OIL TO IMPORTED METHANOL OR ITS DERIVATIVES, PUBLISHED REPORTS INDICATE THAT MORE THAN 70 PERCENT OF THE PLANNED MTBE PRODUCTION EXPANSION IS LOCATED OVERSEAS. MOREOVER, INDUSTRY ANALYSTS PREDICT THAT APPROXIMATELY ONE-QUARTER OF THE WORLD MTBE SUPPLY WILL COME FROM SAUDI ARABIA BY 1995. BY 1995, NON-U.S. CAPACITY IS EXPECTED TO EXCEED 4.5 BILLION GALLONS ANNUALLY --- MORE THAN TRIPLE U.S. CAPACITY. ON THE OTHER HAND, AMERICA'S CITIES, REQUIRED UNDER THE CLEAN AIR ACT TO REDUCE CARBON MONOXIDE AND OZONE LEVELS, SHOULD BE LOOKING TO ETHANOL AS AN EFFECTIVE WEAPON AGAINST AIR POLLUTION. THE OXYGEN CONTENT OF ETHANOL IS TWICE THAT OF OTHER OXYGENATED FUELS AND ITS ABILITY TO REDUCE CARBON DIOXIDE AND OZONE IS GREATER THAN ANY ALTERNATIVE OXYGENATED FUEL. ALSO, EPA HAS CONCLUDED THAT ETHANOL BLENDS WILL DRAMATICALLY REDUCE EMISSIONS OF EXHAUST HYDROCARBONS, FURTHER CONTRIBUTING TO OZONE REDUCTION. IN ADDITION, THE CARBON DIOXIDE BENEFIT OF ETHANOL BLENDS HELPS REDUCE THE THREAT OF GLOBAL WARMING.

OTHER MARKET OPPORTUNITIES EXIST IN THE DEVELOPMENT OF MASS TRANSIT VEHICLES --- PARTICULARLY BUSES THAT EPA IS REQUIRING TO REDUCE EMISSIONS. ETHANOL RESEARCH AND DEVELOPMENT IS CURRENTLY FOCUSED ON CLEANER DIESEL ENGINE DEVELOPMENT, FUEL BLEND TESTING, ETHANOL FUEL CELL BATTERY SYSTEMS AND OTHER TECHNOLOGIES DESIGNED TO IMPROVE EFFICIENCY AND THE ENVIRONMENTAL IMPACTS OF FLEETS.

AS MANY OF YOU KNOW, THE PRESIDENT'S ENERGY SECURITY PLAN, CALLING FOR A PHASE-IN REQUIREMENT FOR FLEETS OF TEN OR MORE VEHICLES TO BE FUELED BY ETHANOL, METHANOL OR NATURAL GAS, HAS ADDED TO THE INTEREST TO FURTHER DEVELOP THESE ALTERNATIVE FUEL TECHNOLOGIES.

MORE NEEDS TO BE DONE

WHILE EFFORTS ON ALL FRONTS ARE CONTINUING AT A STEADY PACE, MORE NEEDS TO BE DONE TO MAINTAIN AND EXPAND ETHANOL MARKET SHARE WHERE POSSIBLE. KEY TO THE DEBATE IS THE POLICY DILEMMA OF WHERE GOVERNMENT -- OR CONGRESS -- OUGHT TO APPROPRIATELY WEIGH IN.

WE HAVE EXPERIENCED IN KANSAS SEVERAL PROBLEMS IMPACTING ETHANOL PRODUCTION AND MARKETING BECAUSE OF OIL COMPANY OBJECTIONS AND PRACTICES AFFECTING THE FUEL DISTRIBUTION SYSTEM. WHILE THESE SPECIFIC CONCERNS IN MY STATE HAVE EBBED FOR THE TIME BEING, THE THREAT TO A HEALTHY MARKETPLACE COMPETITION BETWEEN ETHANOL AND MTBE MAY BE IMPAIRED BY ANTI-ETHANOL STRATEGIES.

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FOR EXAMPLE, WHILE THE GASOHOL COMPETITION ACT OF 1990 MADE IT UNLAWFUL TO IMPOSE RESTRICTIONS OR OTHERWISE DISCRIMINATE AGAINST THE SALE OF ETHANOL BLENDED GASOLINES, SOME PRACTICES -- SUCH AS PIPELINE SHIPMENT OF PRE-OXYGENATED FUELS THAT PRECLUDE BLENDING OF ETHANOL, AND DISCRIMINATING PUMP LABELING REGULATIONS WHICH CONFUSE CONSUMERS --CREATE MARKETPLACE BARRIERS THAT SHOULD BE REMOVED.

IN ADDITION, IT IS IMPORTANT THAT CONGRESS AND THE ADMINISTRATION ADOPT POLICIES THAT PROVIDE A HEALTHY INVESTMENT CLIMATE FOR EXPANDED ETHANOL PRODUCTION CAPACITY. TODAY, THERE ARE MORE THAN 50 ETHANOL PRODUCTION FACILITIES WITH A COMBINED CAPACITY OF 1.2 BILLION GALLONS OPERATING IN 22 DIFFERENT STATES. I AM AWARE OF PLANS TO DEVELOP SOME 500-600 MILLION GALLONS A YEAR OF NEW ETHANOL PRODUCTION CAPACITY, BUT A TIGHT INVESTMENT CLIMATE ISN'T MAKING THIS JOB ANY EASIER. IT MAY BE THAT WE WILL HAVE LOOK TO THE TAX CODE FOR INCENTIVES TO DEVELOP THE NEXT GENERATION OF ETHANOL PRODUCTION FACILITIES.

CONCLUSION

AS WE PREPARE FOR THE DEBATE DEFINING AMERICA'S NATIONAL ENERGY STRATEGY, A DEBATE I BELIEVE WE SHOULD HAVE --- THAT IS CURRENTLY BEING FILIBUSTERED BY SENATORS WHO ARE CONCERNED ABOUT OIL PRODUCTION IN THE NATIONAL WILDLIFE REFUGE IN ALASKA, AND CHANGES TO CORPORATE AVERAGE FUEL ECONOMY STANDARDS FOR AUTOMOBILES -- IRONICALLY, ISSUES THAT WOULD BE LESS CONTENTIOUS IF WE HAD RENEWABLE FUELS LIKE ETHANOL IN THE MARKETPLACE TO THE DEGREE THAT WE NEED THEM --- I BELIEVE THE FUTURE FOR CONTINUED EXPANSION AND GROWTH FOR THE ETHANOL INDUSTRY IS BRIGHT. WE WILL WORK TOGETHER TO ADDRESS THIS AGENDA AND CONTINUE TO PRESS FOR WAYS TO PROVIDE CLEAN, RENEWABLE FUELS FROM AMERICA, FOR AMERICA.

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