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THE ETHANOL "BLEND WALL"

PMAA members own or supply gasoline to 100,000 U.S. retail gasoline locations. In recent years, Congress and the President have taken major steps to change our nation's energy future by fostering the development of home-grown alternative fuels. The Energy Independence and Security Act of 2007 (EISA) (Pub. Law 110-40) requires the motor fuel supply to contain 36 billion gallons of ethanol and advanced biofuels by 2022 (known as the renewable fuel standard (RFS)). For instance, this year requires 11.5 billion gallons of renewable fuels to be used in our nation's fuel supply.

Biofuels like ethanol and biodiesel have a variety of impacts on the economy and the environment. PMAA supports the use of renewable fuels in gasoline and distillates and many of our member companies are supportive of expanded use of ethanol. However, there are several significant obstacles in meeting the RFS which must be addressed in order to protect petroleum marketers, retailers and consumers.

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EISA requires 12.95 billion gallons of renewable fuels in the nation's fuel supply for 2010, 13.95 billion for 2011 and 15.2 billion for 2012. In most regions of the country, ethanol blends may contain up to ten percent ethanol which are believed to pose no significant problems to existing gasoline dispensing and storage infrastructure.

Here is where the "blend wall" comes into play. The nation consumes approximately 145 billion gallons of gasoline each year and approximately 120 billion gallons are subject to the RFS ethanol blending formula. Even if every gallon of gasoline included in the RFS were blended with 10 percent ethanol, refiners would hit the "blend wall" around 12 billion gallons. Refiners are expected to hit the ethanol "blend wall" between 2011 – 2012 (at current ten percent ethanol blended consumption).

EPA has been petitioned by the ethanol industry to solve the "blend wall" dilemma by permitting ethanol blends up to 15 percent (E15). Increasing gasoline blends from E10 to E15 could solve the blend wall issue but it creates other problems that would need to be resolved.

PMAA member companies are concerned about the potential conflicts with existing laws and regulations and with potential equipment damage and liability if EPA approves a mid-level ethanol blend up to E15.

These issues must be resolved before such blends can be stored and dispensed by retailers:

- Gasoline retail infrastructure equipment is certified to dispense and store up to ten percent ethanol by Underwriters Laboratories (UL). Although Underwriters Laboratories has expressed "confidence" that most retailers can safely sell up to 15 percent ethanol blended gasoline, they have not actually "certified" existing dispensers, piping or underground storage tanks for such use. This is a major obstacle because several federal regulations, state laws, local ordinances and insurance policies require UL certified equipment. Retailers who decide to sell E15 could be held liable to pay for cleanup costs if a leak occurs due to the increased ethanol blends and insurance companies may deny coverage.
- Marketers also need misfueling protection. Manufacturers of small engines such as boats, lawn mowers, and chain saws believe E15 will overheat and damage small engines. Retailers will surely be ensnared in litigation if the small engines are damaged.

PMAA will be working with Congress to address these concerns and asks that these factors be taken into account as Congress considers new energy legislation this session.

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