

Governors' Ethanol Coalition

March 23, 2000

Honorable Carol Browner, Administrator  
U.S. Environmental Protection Agency  
401 M Street, S.W.  
Washington, DC 20460

Dear Administrator Browner:

On behalf of the 24 members of the Governors' Ethanol Coalition, we are writing as follow up to our conversation on February 29, 2000, regarding the role of ethanol in the reformulated gasoline program. We assured you during our meeting that the ethanol industry can meet the increased demand for ethanol as a result of the phasing out of MTBE and committed to providing evidence of this.

Enclosed please find a recent study conducted by John M. Urbanchuk, Executive Vice President of AUS Consultants titled "Ability of the U.S. Ethanol Industry to Replace MTBE". According to the report, the U.S. ethanol industry has the ability to double ethanol capacity given a two-year timeframe. Furthermore, the ethanol industry can exceed the increased demand for reformulated gasoline, as estimated by the U.S. Department of Energy, Energy Information Administration, resulting from the phase out of MTBE.

As stated in the material, the increased capacity for ethanol production is projected to result from improvements in production efficiency leading to increased utilization of existing plants; expansion of existing operating facilities; new construction in place; and proposed facilities currently in various stages of development. These expansion plans will result in total production of more than 3.4 billion gallons of ethanol by 2004, or 317 million gallons more than will be needed to replace MTBE and meet all other uses of ethanol. The study has also examined the potential difficulties in meeting the demand for ethanol resulting from material or construction constraints, and the result is that there is no evidence

indicating that this would inhibit the industry's ability to meet demand.

While the cost to add the new ethanol capacity to replace MTBE is estimated at nearly \$1.9 billion, the positive impact resulting from ethanol's replacement of MTBE for our nation's economy is significant. The study projects this expansion of ethanol capacity will add \$11.7 billion to real GDP by 2004, increase household income by an estimated \$2.5 billion, and generate an additional 47,800 jobs.

We understand that an additional concern about ethanol is adequate access to transportation of the supply. Also enclosed is a letter addressed to U.S. Senator Tom Harkin from U.S. Secretary of Agriculture Dan Glickman in which he cites a paper prepared by the Office of Energy Policy and New Uses (OEPNU) in the Office of the Chief Economist. Again, this study assumes a phase out of MTBE by 2004, and the analysis reveals that a number of transportation options remain available for ethanol transport over the long term. The study concludes no significant problems for ethanol transport if MTBE were to be phased out over a four year period.

The evidence is clear that the ethanol industry does have the ability to meet the demand for oxygenated fuel as required by the Clean Air Act in place of MTBE and there is adequate access for transport of ethanol. We applaud your recent action to phase out MTBE, and we urge you to maintain the progress on clean air by ensuring ethanol's role in reformulated gasoline.

Sincerely,

Thomas J. Vilsack, Chair  
Governor of Iowa

Mike Johanns, Vice Chair  
Governor of Nebraska