

P.O. Box 95085, Lincoln, NE 68509-95085, Phone 402.471.2867,
Fax 402.471.3064, Internet www.ethanol-gec.org

FOR IMMEDIATE RELEASE
August 22, 2006

Gov. Blagojevich unveils ambitious energy independence plan to reduce Illinois' reliance on foreign oil
Governor's plan would meet 50 percent of state's motor fuel needs with alternative homegrown sources made from crops and coal by 2017

SPRINGFIELD – Governor Rod R. Blagojevich today unveiled a comprehensive long-term energy plan to replace Illinois' dependence on foreign oil with homegrown alternatives. The plan will help free consumers from the grip of foreign oil and gas interests by giving drivers and homeowners alternatives to the high cost of gasoline, stabilize energy prices, give Illinois farmers new markets for their crops, and create 30,000 new jobs. The Governor's plan sets a goal of replacing 50% of the state's energy supply with homegrown fuels by 2017. Illinois would be the first state to reach this level of energy independence.

The Governor's plan would provide new incentives to help triple Illinois' production of ethanol and other biofuels, and build up to ten new coal gasification plants to convert Illinois coal into natural gas, diesel fuel and electricity. The plan also includes construction of a pipeline from Central to Southeastern Illinois to transport carbon dioxide produced by new energy plants to where it can be pumped underground to extract more oil and gas that sits underground in Illinois. Trapping carbon dioxide underground will permanently prevent this greenhouse gas from being emitted into the atmosphere. The plan calls for a dramatic expansion of renewable energy production as well as significant reductions in energy use through investments in energy efficiency and conservation. Specifically, the Governor's plan will:

* Invest in renewable biofuels by providing financial incentives to build up to 20 new ethanol plants and five new biodiesel plants.

These increases in ethanol and biofuels production would allow Illinois to replace 50% of its current supply of imported oil with renewable homegrown biofuels;

- * Increase the number of gas stations that sell biofuels, so that all gas stations offer 85% ethanol fuel (E-85) by 2017 and help the auto industry to produce more and better flexible fuels vehicles that can run on either E-85 or regular gasoline;

- * Invest \$775 million to help build up to ten new coal gasification plants that use Illinois coal to meet 25 percent of Illinois' diesel fuel needs, 25 percent of natural gas needs and 10 percent of electricity needs by 2017;

- * Build a pipeline to move carbon dioxide, a greenhouse gas, captured from coal gasification plants to oilfields in Southeastern Illinois to extract more oil and natural gas and permanently store the carbon dioxide underground;

- * Meet 10% of the state's electricity needs from renewable energy sources by 2015, greatly boost investment in energy efficiency, while finding ways to cut emissions and reduce motor fuel consumption by 10% in 2017.

“No other state has the combination of natural resources that we have here in Illinois. We're the nation's leading producer of soybeans. We're the #2 producer of corn. And we have the nation's third largest reserves of coal. That means opportunity – opportunity to turn more corn into ethanol and more soybeans into diesel fuel. And it means turning coal into home heating fuel and electricity. It means creating 30,000 new jobs downstate. It means helping consumers save billions of dollars in energy costs. And it means finding ways to help drivers use less gas and help homeowners cut their utility bills. Our plan will allow us to meet 50% of our fuel needs with alternative, homegrown sources of fuel by 2017,” said Gov. Blagojevich.

“Stop and think about what that means. It means that if we make the right investments now, within ten years, we'll be able to produce enough energy from our own natural resource to cut our dependence on foreign energy in half. That means billions of our hard-earned dollars will stay here at home, in our economy, rather than leaving Illinois forever. We have the resources. We have the technology. We have the expertise. And if we start today, we can solve this problem in the next ten years. No other state can say

that. And the federal government hasn't even conceived of that yet. But we can do it here in Illinois," the Governor said.

Part One: Invest in Biofuels

The goal of the Governor's energy plan is to replace 50 percent of the state's current supply of imported oil with renewable homegrown biofuels like ethanol and biodiesel. Since February, the average price of gasoline increased from \$2.17 a gallon to more than \$3.00. At \$3 a gallon, the average person spends about \$500 more on gas than last year. The Governor proposes to invest \$100 million over the next 5 years to build up to 20 new ethanol plants across Illinois. The additional ethanol production would generate an estimated \$1.7 billion in business investment. The Governor proposes investing an additional \$100 million over the next ten years to build four plants in downstate Illinois using new technology to create ethanol made from plant waste materials like corn husks and wood pulp – or "cellulosic ethanol." This means boosting the state's annual ethanol production by more than 200 percent and meeting 50 percent of gasoline needs by 2017. And, the Governor's plan would invest \$25 million to help build five new biodiesel plants, boosting the state's production by 200 percent to 400 million gallons per year or the equivalent to 25 percent of the state's annual diesel fuel needs by 2017. This additional biodiesel production will generate another \$225 million in business investment in Illinois.

Besides building new plants, the Governor will create a task force to drive continued investment in Illinois's biofuels industry. He will also issue an executive order to speed up construction of biofuels plants by expediting state permits and streamlining the permitting process.

These investments in biofuels are expected to create more than 800 direct and permanent jobs at the facilities and 8,000 construction jobs. These jobs will generate an additional 7,000 indirect permanent jobs in total. The plan would greatly help farmers sell to new markets and put farmers on the forefront in the effort to make Illinois energy independent.

Part Two: Increase Use of Biofuels

As Illinois produces more biofuels, the second major goal of the Governor's energy plan is to make sure every gas station in Illinois offers 85% ethanol fuel (E-85) by 2017. To reach this goal, the Governor proposes investing \$30 million over the next 5 years to add 900 more E-85 pumps statewide by 2010, meaning 20 percent of Illinois gas stations will offer E-85. Illinois will also work with automakers to offer more flexible fuel vehicles to Illinois drivers, by providing up to \$25 million incentives to produce more vehicles that can run on E-85. The state will also increase public awareness about E-85 and promote use by local governments and private fleets. Increasing biofuels production and consumption means cars will use cleaner burning, homegrown fuel and give drivers real alternatives to the high cost of gasoline.

Part Three: Invest in Advanced Coal Gasification Technology

In addition to high prices at gas pumps, consumers are also feeling the heat of high natural gas costs. Natural gas prices have doubled since 2003. Even a five percent annual increase in natural gas translates into \$600 more in costs for households by 2015. The Governor's plan would ensure that 25 percent of natural gas consumed in Illinois would come from Illinois coal. Coal is found under 37,000 square miles in Illinois and contains more energy than the oil reserves of Saudi Arabia and Kuwait combined. In fact, Illinois has 38 billion tons of recoverable coal, accounting for 12 percent of all coal in the U.S. The Governor's plan would invest \$775 million over the next ten years to help build up to ten new coal gasification plants across Illinois. These plants would meet 25 percent of Illinois' diesel fuel needs, 25 percent of natural gas needs, and ten percent of electricity needs by 2017. Coal gasification technology converts coal from a solid to a gas that can be substituted for natural gas, diesel or electricity. Gasification is the cleanest and most efficient way to convert coal to energy with low emissions of mercury and other air pollutants and allows for the capture and underground storage of carbon dioxide, a greenhouse gas.

Of all states, Illinois is the best suited for large-scale development of coal gasification because of its vast coal reserves and geology appropriate for carbon dioxide storage. Because of these advantages, two Illinois sites were selected out of four national finalists for the FutureGen project, a federal public/private

partnership to build the nation's first zero emissions coal fired power plant. The sites are Tuscola and Mattoon. If Illinois wins FutureGen, businesses and the federal government would invest \$1 billion in Illinois, creating 150 permanent jobs and 1,300 construction jobs. If Illinois does not win FutureGen, these sites would be ideal to develop coal gasification plants in the future.

An investment of \$775 million to build coal gasification plants would generate more than \$10 billion in new business investment in Illinois. These plants could create an estimated 1,000 new permanent jobs, 2,500 new mining jobs and 10,000 construction jobs through Central and Southern Illinois. The Governor's plan also calls for partnering with utility companies to purchase electricity and natural gas from coal gasification plants under long term contracts that will help stabilize energy prices for consumers for years to come.

Part Four: Reduce Emissions and Recover More Oil and Gas

Even though coal gasification plants are much cleaner than traditional plants, they still emit carbon dioxide. The fourth part of the Governor's plan will make coal gasification plants even more environmentally friendly by capturing carbon dioxide and safely storing it underground, instead of emitting it into the air. The Governor proposes building a pipeline from gasification facilities in Central and Southern Illinois to Illinois Basin oilfields in Southeastern Illinois. Illinois' oil reserves hold more than one billion recoverable barrels of oil. Because the fields are mature, production cannot increase without using advanced recovery techniques. "Enhanced Oil Recovery," which uses carbon dioxide to extract more oil from existing reserves, could nearly double the amount of petroleum produced by Illinois annually. The 100-mile pipeline would transport the carbon dioxide captured by the coal gasification plants to oilfields and use the pressurized carbon dioxide to extract more oil and gas.

Additionally, the carbon dioxide transported by the pipeline could extract methane from Illinois coal reserves. Illinois coal reserves hold enough methane, a fuel similar to natural gas, to meet all of the state's natural gas needs for seven years.

The pipeline would cost about \$100 million to build and would generate an estimated \$12 million in annual revenue. The royalties from the recovered oil and gas would subsidize the costs of sequestering the carbon dioxide.

Part Five: Reduce Energy Use, Improve Efficiency, Invest in Renewable Energy

The Governor's plan also focuses on using more sources of renewable energy and strategies to improve energy efficiency and reduce energy consumption. To make Illinois energy more efficient, the Governor's plan sets a goal of reducing motor fuel consumption in Illinois by ten percent by 2017, allowing residents to save billions annually in fuel costs. The Governor also proposes to work with the automobile industry, environmental groups, and consumer advocates to form the Illinois Fuel Conservation Task Force to explore strategies to reach the goal of reducing fuel use by ten percent by 2017.

Additionally, the state will focus on ways to boost renewable energy use while finding ways to conserve energy. Illinois has powerful wind resources that can be harnessed to provide electricity to more than one million homes. By adopting a Renewable Portfolio Standard, ten percent of Illinois' electricity can be generated by clean, renewable energy sources like wind by 2015. The Governor proposes that Illinois adopt an Energy Efficiency Portfolio Standard to greatly increase investments in energy saving programs and technologies that can reduce utility bills for homes and businesses.

In other efforts to improve energy efficiency, the Governor's plan calls for a \$25 million revolving loan fund to support energy efficiency investments in public buildings to reduce government energy usage. The Governor also proposes a \$25 million revolving loan fund to support energy efficiency investments by small businesses and manufacturers. Finally, the Governor's plan includes adopting a building code for single-family homes similar to the code already adopted for commercial buildings to meet modern energy efficiency standards. 42 other states have already adopted such residential efficiency codes.

The Governor's plan will cost an estimated \$27 million annually in general revenue to support \$1.2 billion of total capital investment.

To pay for the plan, the Governor will increase enforcement efforts to collect taxes from corporations that currently evade taxation. The Illinois Department of Revenue estimates that businesses owe \$35-40 million in sales and corporate income taxes to the state. Some businesses collect sales taxes from customers but don't remit the revenue to the state. Others, mainly out-of-state corporations, illegally shelter income that goes uncollected. The Illinois Department of Revenue will hire 150 more tax auditors to collect these delinquent taxes, producing more than \$30 million in Fiscal Year 2007, and as much as \$40 million in Fiscal Year 2008. These new revenues will help ensure tax fairness and be collected without raising income or sales taxes or changing Illinois' tax code.

"Taking these five steps means creating 10,000 permanent jobs and almost 20,000 construction jobs - and almost all of them would be downstate. It means generating over \$12 billion in private investment. It means giving our farmers new markets for their corn and soybeans. It means helping Illinois companies produce more ethanol. It means reducing global warming. And most importantly, it means giving consumers a choice and giving consumers a chance. Right now, we're held hostage to the whims of OPEC. We're held hostage to complex political situations and unstable leadership in places like Iran and Venezuela. We're patronized and ignored by our leaders in Washington, and manipulated and extorted by oil barons in the Middle East. It's about time someone stands up for the American people. It's about time someone says: here's the problem, here's a plan - let's act and let's solve this problem," said Gov. Blagojevich.

"This plan is different from anything we've ever done before. It's different from anything any other state has tried before. But these aren't normal times. As countries like China and India continue to develop, the demand for oil and gas is only going to grow. The supply will only decline. As a nation, we represent only 4% of the world's population. But we consume 25% of its annual energy use. Staying the course is not an option. Using our own natural resources is. Someone has to act. And that someone is us."

#