

As Obama Picks Cellulosic Advocates, EIA Predicts Shortfall

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WASHINGTON -(Dow Jones)- The U.S. won't be able to meet its mandate to produce 36 billion barrels of biofuel by 2022, according to the government's top energy forecaster.

The Energy Information Administration predicted the technological breakthroughs necessary to produce the advanced ethanol quantities called for in the mandate would mean only around 30 billion barrels will be produced.

The prediction comes as President-elect Barack Obama named his Agriculture Secretary nomination, former Iowa Gov. Tom Vilsack , who's a proponent of advanced cellulosic ethanol, but an advocate of dropping subsidies for corn- based ethanol.

As chairman of a Council of Foreign Relations task force on climate change, Vilsack recommended in a June report to reduce tariffs on imported biofuels, and begin "phasing out domestic subsidies for mature biofuels such as conventional corn-based ethanol."

Obama's Energy Secretary pick Steven Chu has also spoken unfavorably against corn ethanol. "The problem with corn is that is you look at how much energy one needs to invest to grow one unit of energy or ethanol, approximately two units of energy are needed," Chu said in a 2005 speech.

"It's a good idea for corn farmers, because they get subsidized, but it's not a good deal for the world," particularly because of the carbon dioxide emissions related to corn ethanol production, Chu said.

Chu, however, orchestrated the \$500 million research and development program into advanced biofuels with BP PLC (BP), planning that innovation and government and private-sector funding will be able to crack the code necessary for a major expansion of cellulosic biofuels production.

If the tariff is axed or allowed to expire, countries like Brazil, which has been steadily boosting its production, will likely see imports escalate.

The EIA forecasts ethanol supply from cellulosic feedstocks reaching 12.6 billion gallons (including both domestic and imported production) in 2030, while biodiesel and biomass-to-liquid diesel fuel use rise significantly, reaching nearly 2 billion gallons and 5 billion gallons, respectively, in 2030.

Renewable Fuels Association spokesman Matt Hartwig said his group had been in discussions with Obama's transition team about possible funding in the President-elect's stimulus package expected in the new year.

"Ethanol is uniquely poised to employ new technologies and scale up production significantly in the short term to greatly reduce imports of foreign oil and more meaningfully help address the issue of global warming," Hartwig said in a statement.

Although the industry has received subsidies, it has been hit hard by over- production, distribution problems and the financial crisis. Many plants have been put on hold, are teetering on bankruptcy or are likely targets of an expected wave of consolidation in the industry.