

September 24, 2014

MEMORANDUM FOR: JOHN CONTI
ASSISTANT ADMINISTRATOR FOR ENERGY ANALYSYS

MICHAEL SCHAAL
DIRECTOR, OFFICE OF ENERGY ANALYSIS

JOHN POWELL
TEAM LEADER, LIQUID FUELS MARKET TEAM

FROM: LIQUID FUELS MARKET TEAM

SUBJECT: Second AEO2015 Liquid Fuels Markets Working Group Meeting
Summary (presented on 09-24-2014)

Attendees: (EIA) John Powell, Mindi Farber-DeAnda, Mike Cole, Adrian Geagla,
David Manowitz, Beth May

Seth Meyer (USDA)
Austin Brown (NREL)
Robert Smith (US DOE)
Ben Salisbury (FBR)

Attending by Phone: Jarrett Whistance (FAPRI, University of Missouri)
Niko Kydes (OnLocation)
Ken Vincent (US DOE)

Presenter: John Powell (EIA)

Presentation:

John Powell (EIA team leader of the Liquid Fuels Markets Team) presented assumptions and preliminary results for the reference case 2015 Annual Energy Outlook. The presentation covered the new crude oil price path, motor gasoline and diesel fuel price projections, higher crude and NGL production levels, lower crude imports and higher product exports, and refinery utilization levels. All AEO scenario results will be released at the same time (December 2014 timeframe).

Discussion/questions

Since the LFMM was updated this year to separately represent 50+ API and 40-50 API crude, there was some discussion about lease condensate stabilizers (not modeled in LFMM), condensate splitters (model is being modified to represent this), and the ability of the LFMM to export 50+ API crude. Preliminary

results for the reference case indicate that the refineries will process the additional 50+ API crude, as opposed to exporting. However, the high resource (and maybe the high price) case will have the incentive to export this crude. A stakeholder asked if the LFMM includes a cost to process the exporting of 50+ API crude. Response: No, stabilizers are not represented in the LFMM; however, the cost would be insignificant.

The discussion also moved to ethanol production and the RFS targets in this year's AEO. Mindi Farber-DeAnda explained that since this is a short AEO cycle, and EPA has not released new RFS targets, EIA does not plan to change these targets set for AEO2014 and expects the corn and cellulosic ethanol production levels to follow a similar path as last year. If EPA should release a final rule soon, then EIA will evaluate if there is time to implement the final levels. EIA will be evaluating some definitional changes (Biogas) for AEO2016.

A suggestion was made to consider reporting ethanol prices, and possibly E85 rack prices – similar to how crude and gasoline rack prices are available to the consumer. EIA does not plan to report such prices as part of this year's AEO. Only final product prices are reported.

Actions to be taken in response to the discussion above:

- No actions required.

Next LFMM Working Group meeting: July 2015