

Assumptions and Expectations for *Annual Energy Outlook 2013:* Liquid Fuels Markets Working Group



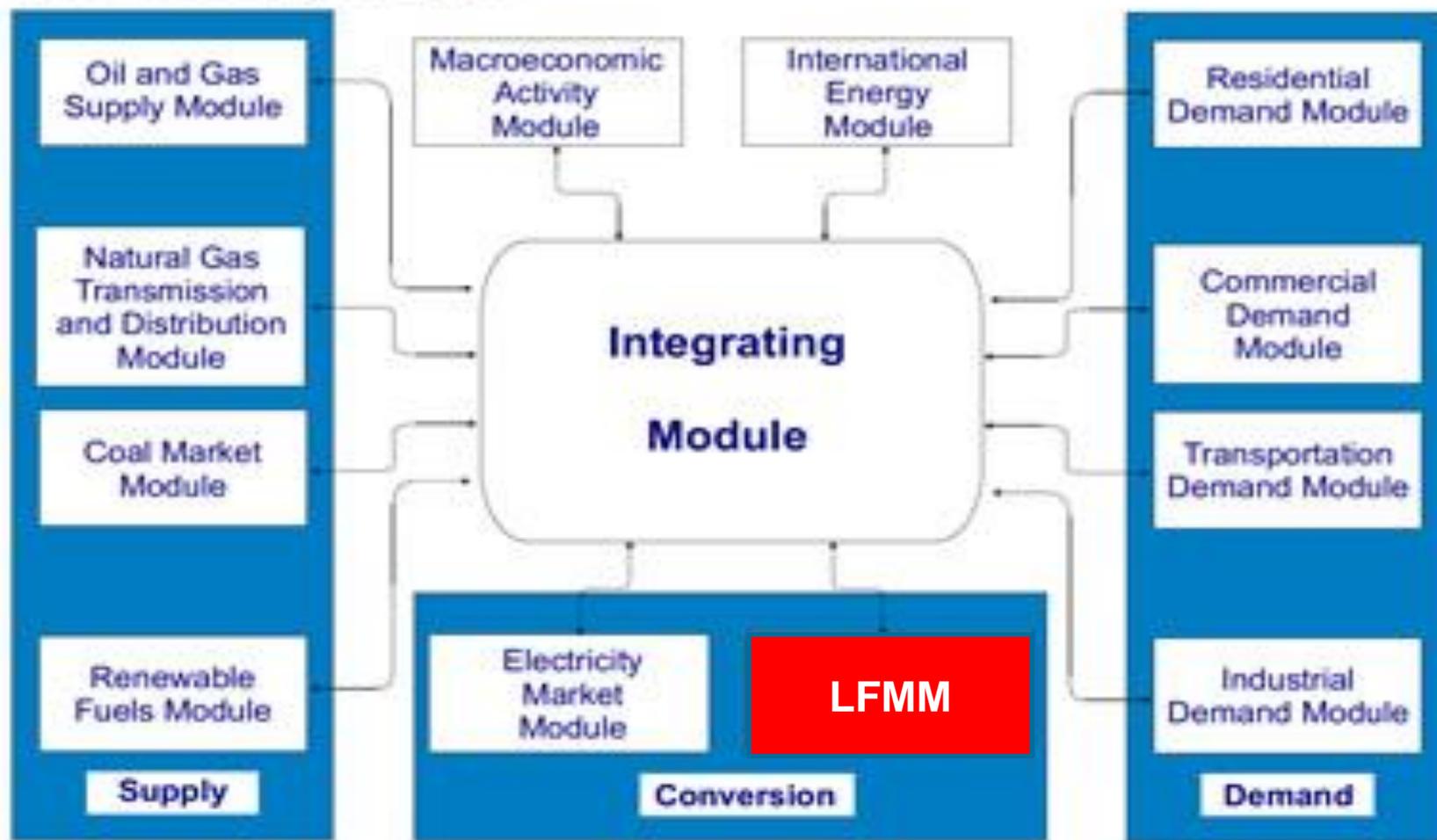
AEO2013 Liquid Fuels Markets Working Group Meeting
Office of Petroleum, Natural Gas & Biofuels Analysis
August 27, 2012 | Washington, DC

**WORKING GROUP PRESENTATION FOR DISCUSSION PURPOSES
DO NOT QUOTE OR CITE AS RESULTS ARE SUBJECT TO CHANGE**

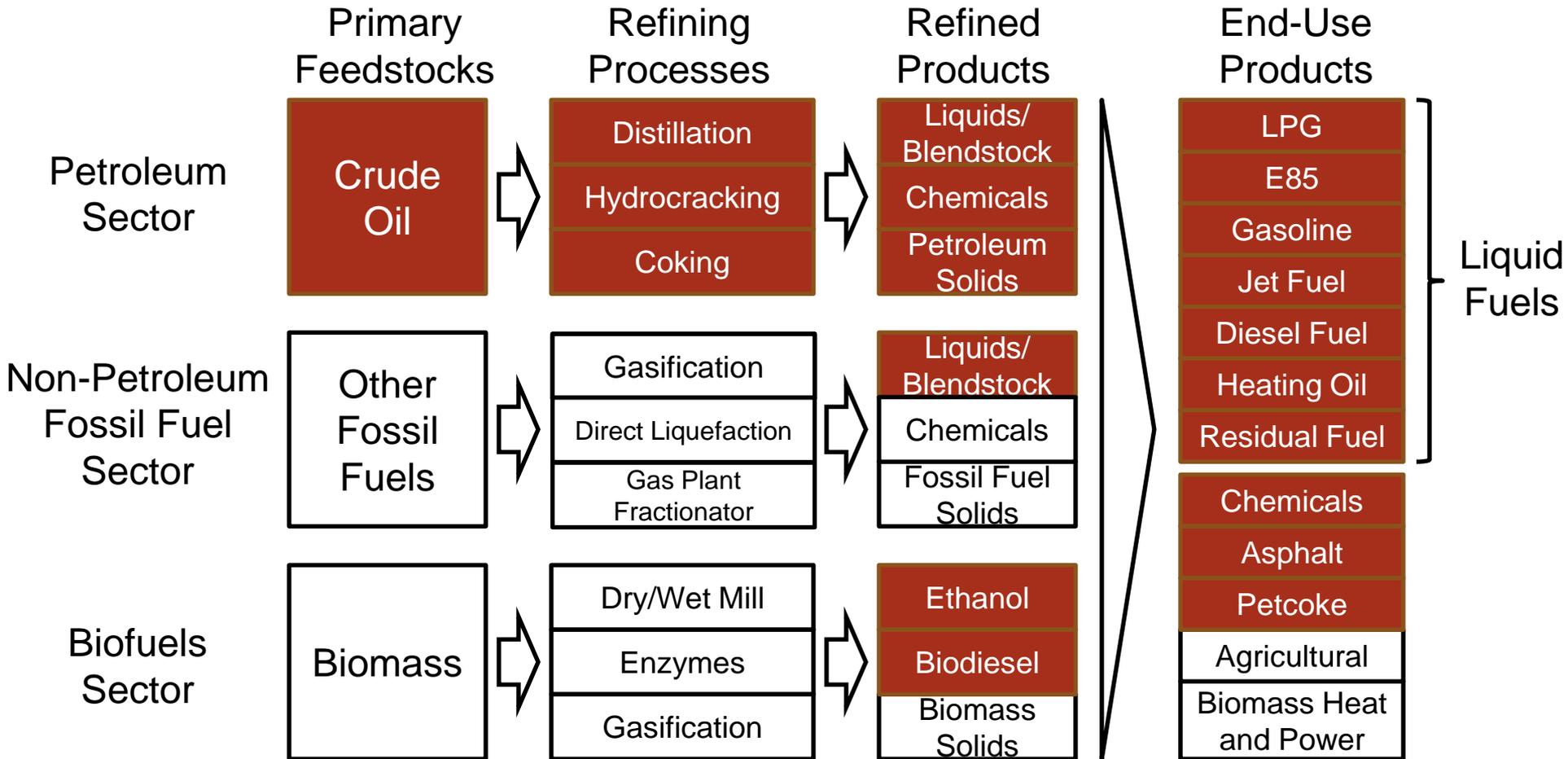
Overview

- NEMS and LFMM
 - For *AEO2012*, LFMM was used in a single side case.
 - For *AEO2013*, LFMM will be used in all cases
- LFMM and the changing structure of the refining industry
 - *AEO2012* final report: http://www.eia.gov/forecasts/aeo/IF_all.cfm#refiningind
- New/revised policy issues
 - California LCFS
 - California AB32
 - RFS

NEMS – a model of the U.S. energy economy



LFMM models the changing refining industry



New/revised policies modeled for *AEO2013*

- California LCFS (Low Carbon Fuel Standard)
- California AB32 – Global Warming Solutions Act
- Renewable Fuel Standard (RFS2)
 - Not a new policy, but LFMM includes new assumptions

California Low Carbon Fuel Standard (LCFS)

- The LCFS, as regulated by the California Air Resources Board (CARB), requires “obligated parties” to reduce the average carbon-intensity of motor gasoline blends (E10, E85, etc.) and diesel placed into commerce
- The maximum allowable carbon intensities decrease over time
- Potential impacts on the liquid fuels market include interaction with the national RFS, increased imports of sugarcane ethanol from Brazil, motor fuel prices in California

California AB32 – Global Warming Solutions Act

- “establishes a system of market-based declining annual aggregate emission limits for sources or categories of sources that emit greenhouse gas emissions, applicable from January 1, 2012, to December 31, 2020”

Source: <http://www.arb.ca.gov/cc/ab32/ab32.htm/>

- This cap and trade approach applies to the liquid fuels production industry, other industries that emit GHG, and electricity production.
- AB 32 will likely impact liquid fuel prices and production levels in California, and may have a broader impact.

Renewable Fuel Standard (RFS2)

Revised assumptions for *AEO2013* -

- Set hardship-based waiver prices for Total Biofuels and Advanced Biofuels, in case production cannot satisfy the mandate at reasonable cost
- Enables two-way ethanol trade between U.S. and Brazil

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Next Working Group Meeting

Planned for October 2012, exact date to be determined.

Will present preliminary AEO2013 results.

For more information

U.S. Energy Information Administration home page | www.eia.gov

Short-Term Energy Outlook | www.eia.gov/steo

Annual Energy Outlook | www.eia.gov/aeo

International Energy Outlook | www.eia.gov/ieo

Monthly Energy Review | www.eia.gov/mer

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