

AEO2014 Liquid Fuels Markets Working Group Meeting 1

July 24, 2013

Attendance (In Person)

(EIA) John Powell, Mindi Farber-DeAnda, Mike Cole, Beth May, Adrian Geagla, Vish Mantri, Tony Radich, Irene Olson, Julie Harris

(non-EIA) Jeff Meyer (HIS CERA, Oil Market Analyst), Adam Christensen (Johns Hopkin)

Attendance (WebEx)

Dave Schmalzer, Seth Snyder (Argonne National Laboratory), Donald Hanson (Argonne National Laboratory), Wyatt Thompson (FAPRI, University of Missouri), Jarrett Whistance (FAPRI, University of Missouri), Andy Kydes, John Pyrdol (DOE Office of Fossil Energy)

Notes from Meeting

EIA presented a brief review of additions being made to the Liquid Fuels Market Module (LFMM) for AEO2014. As presented in the slide presentation, these updates encompassed crude and product import/export representation, transport network revisions, capacity expansion methodology, technology assessment updates, biofuels supply curves, E15 market penetration assumptions, E85 availability and pricing assumptions, and policy representation and issues. Throughout the presentation, EIA asked for comments from the attendees.

E15: Discussion relating to E15 and upcoming possible changes to EPA regulations.

- Stakeholder: suggested that EPA wants to require E15
- EIA: How will we build curve (model gradual acceptance of higher ethanol blends)?
- Stakeholder: Will think about this.
- EIA: Probably will phase in to maximum level of ethanol over a number of years.
- EIA: Currently not many stations pumping blends > E10, some question as to what they are pumping (this related to our other meeting with RFS group).
- Stakeholder: will send EIA some docket numbers related to EPA.
- EIA: Automakers Association was solidly against E15 at the Congressional RFS hearings.

RFS: EIA asked: What will EPA do?

- Stakeholder: Possibly EPA will reduce mandates for 2015-2016. There could be a gradual transition.
- EIA: USDA has explicit assumptions for use of corn and soybeans in alternative fuels. Import price for ethanol is derived from farm price for corn plus transportation cost. Corn for ethanol

comes from ending corn stocks (end of agricultural year, which is last quarter); this generates an upward-sloping supply curve for ethanol.

- Stakeholder: uses a stochastic model
- EIA: We would like to talk with FAPRI again. We need to derive a supply function for ethanol. Want to set up a follow-up meeting to discuss further.

Butanol: Stakeholder: Would like to know more about butanol and its associated RFS and tax issues.

- Stakeholder: How will biobutanol be represented in model?
- EIA: We are preparing a tech assessment to examine bio-butanol issues further, but may not be completed for this year's AEO due to time constraints
- EIA: Should have very good RFS impact from butanol
- EIA: Butanol is more energy-dense than gasoline.
- There is a grant from NSF to study biofuels tax and RFS effects

RIN market:

- Stakeholder: Currently working on a short-term RIN market model through the SEES program (NSF Science, Engineering and Education for Sustainability Fellows); just beginning, so no results yet; very familiar with NEMS
- Should connect stakeholder with some EIA experts
- EIA: RINs have an annual market

Actions to be taken in response to discussion above:

- No action items resulted from this meeting.

Next LFMM Working Group meeting: Originally announced for October 17, 2013, the **meeting has been moved up to September 19, 2013 (10:00 am)** with plans to discuss preliminary model results. Invitations/announcement will be sent closer to meeting time.