

July 21, 2014

MEMORANDUM FOR: JOHN CONTI  
ASSISTANT ADMINISTRATOR FOR ENERGY ANALYSYS

JOHN POWELL  
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FROM: LIQUID FUELS MARKET TEAM

SUBJECT: First AEO2015 Liquid Fuels Markets Working Group Meeting  
Summary (presented on 07-17-2014)

Attendees: (EIA) John Powell, Mindi Farber-DeAnda, Mike Cole, Adrian Geagla,  
Arup Mallik, David Manowitz, Vishakh Mantri, Beth May, Terry Yen,  
John Conti, Michael Schaal

Bryan Just (API)  
Pete Whitman (DOE)  
Tom White (DOE)  
Jennifer Li (DOE)  
Charles Zelek (NETL)  
Jarrett Whistance (FAPRI, University of Missouri)  
Seth Meyer (USDA)

Attending by Phone: Adam Christensen (Johns Hopkins University)  
Lauren Busch (Leidos)  
Yelena Dandurova (Leidos)  
J. Alan Weber (MARCIV)  
Chris Nichols (NETL)  
Gavin Pickenpaugh (NETL)  
Nadejda Victor (NETL)  
NETL PGH  
Niko Kydes (OnLocation)  
Ana Cummings (Unica)  
Wyatt Thompson (FAPRI, University of Missouri)  
James Duffield (USDA)  
Andy Kydes (Z Inc.)

Presenters: John Powell (EIA)  
Mindi Farber-DeAnda (EIA)

## Presentation:

The liquid fuels markets presentation provided an overview of the assumption changes implemented and planned for AEO2015 in the Liquid Fuels Market Module (LFMM), the meaning of an AEO “light”, and a platform for discussing the potential for representing exports of lightly processed condensate crude. Most of the discussion surrounded slide 6 about crude/condensate export assumptions or modeling.

## Specific discussion/questions, presented by slide topics:

AEO2015 is a “light” year (slide 3)

- AEO light will incorporate changes in the Macro and LFMM models. All other modules will have minor updates

AEO2015 petroleum assumptions/changes (slide 4)

- The revised methodology for by-grade crude price response is still in progress
- Effort to link product import/export prices to crude prices still in progress

AEO2015 biofuel/non-petroleum assumptions (slide 5)

- Modest changes for AEO2015: decrease nameplate capacity and revise overnight costs for cellulosic ethanol and pyrolysis units
- AEO2015 will still contain the RFS 2013 regulations because the 2014 rule is not yet finalized
- AEO2015 will continue to have a trade mechanism with Brazil for ethanol.
- AEO2015 does not include the Pathways2 cellulosic to biogas provision that recently was approved for cellulosic RIN pathways (but is not in effect until it is issued by EPA in the RFS 2014 ruling).
- Projects in progress for AEO2016: revise refinery process units costs; non-petroleum process study to inform AEO2016

Crude/condensate export assumptions (slide 6, final slide)

- Most of the remaining discussion focused on how to model the recent BIS ruling which allows Enterprise and Pioneer to minimally process (stabilize) condensate crude, and then export the output stream.
- Q- How should this be modeled?  
A-Suggest that EIA create a mixed-NGL export product
- Suggests EIA needs to determine how many condensate splitters already exist and how big the condensate export market is. Need to consult with a condensate trader to provide insight.
- Modeling the specific BIS ruling will be difficult in NEMS environment for AEO2015. Since current laws and regulations are assumed for a reference case, isn't the current ruling very narrow? It would mean a limited amount of exports of ultra-light and lease condensate. A fuller AEO year would allow an export case to be run as a side case.

- Based on the BIS ruling, EIA would only consider modelling exports of lease condensate for AEO2015.
- No firm conclusion was reached about a modeling approach; a possible path forward is to make assumptions about exports, and incorporate them into the model. Factors influencing crude oil or condensate exports include logistics and the different side streams that could come from a distillation tower.
- More information is needed, and a world condensate balance would be helpful in addressing the question of modeling crude condensate exports. A suggestion was made that perhaps Turner, Mason or Ensys or others doing this type of work can be asked to help.

**Actions to be taken in response to the discussion above:**

- No actions required.

**Next LFMM Working Group meeting:** September 2014 (tentative)