



September, 2008

**The Gathering Storm**

Another hurricane was headed into New Orleans as we moved into September, and the GOP curtailed some of the convention excitement in order to keep their eye on the storm. Thankfully, Hurricane Gustav wasn't the "mother of all storms" some had predicted, but it was bad enough. And still, we're likely to experience more "windstorms" from the political parties as we approach the November election.

Shortly after Republican John McCain announced Sarah Palin—whom the media has said made her name fighting "oil corruption" in her state—presidential nominee Barack Obama and his choice for VP were touring a biodiesel plant in Pennsylvania. There's no doubt that energy issues and energy security issues will continue to be responsible for a lot of the "wind" in the coming electoral storm. So batten down the hatches, but keep your ears and eyes open for the latest developments.

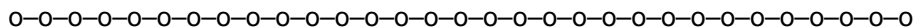
**Apples to Apples**

Some of you have mentioned that you would like more side-by-side price comparisons in the *Pump Prices—Here & There* table, below. We agree that the price comparisons are interesting, but we have to be careful, because, blending patterns in the different countries can mean that you end up comparing apples to oranges. For example, all gasoline sold in Brazil is 25 percent ethanol—so there is no price for pure gasoline. Another example is the 100 percent biodiesel price. Although pure biodiesel exists in Brazil, it cannot, under the law, be purchased by consumers. The only customer for 100 percent biodiesel in Brazil is the National Petroleum Agency (ANP,) which regulates all fuel in the country. They purchase large lots of biodiesel in regular auctions.

The last of those auctions was on August 15, and the ANP bought 66,000 cubic meters of biodiesel, that would be eventually blended, at three percent, into petroleum diesel sold for road use in that country. The average price ANP paid for biodiesel at that auction was R\$2,609.70. Now, since a cubic meter is equal to 1,000 liters, we calculate that they paid R\$2.61 a liter for the biodiesel, and at the August 15<sup>th</sup> exchange rate of 1.64 reals to each U.S. dollar, that comes to about US\$6.01 per gallon for the unblended stuff. And that, keep in mind, is the wholesale rate. We don't put those prices into the "Pump Prices" chart because that \$6.01 figure isn't a pump price—the only way you can get 100 percent biodiesel in Brazil, right now, is to join a cooperative that makes the alternative fuel.

<b>Pump Prices – Here &amp; There September 2<sup>nd</sup> and 3<sup>rd</sup>, 2008</b>		
	<b>US</b>	<b>Brazil</b>
B100	\$5.67 / gal	NA
B3	- NA -	\$4.89 / gal
B11	\$4.11 / gal	- NA -
100% Ethanol	- NA -	\$3.85 / gal
E85	\$3.19 / gal	- NA -
Gasoline	\$3.68 / gal	\$5.90 / gal*

\*contains 25% ethanol \*\*





### Flex-fuel Cars

Brazil has not only grown to become the world's sixth-largest automobile producer, but more and more of those cars are of the so-called "flex-fuel" variety, which allows motorists to put as much pure ethanol into their gas tanks as they wish. Nearly 90 percent of all passenger vehicles licensed in the first half of the year we bi-fuel, versus only eight percent that operated exclusively on gasoline. That's down from ten percent gasoline-only cars for the first half of last year. At the same time, says Unica, one of Brazil's sugarcane producers' associations, ethanol sales outstripped gasoline sales in February—a first-time event.

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### UK Activists Just Say "No"

British scientists have requested permission from Britain's Forestry Commission to plant biotech trees for a study the feasibility of producing ethanol from them. According to the *Telegraph*, researchers would use biotechnology to lower the lignin content of poplar trees to make it easier to produce ethanol. So far, though, activists have blocked any biotech research on trees. In 1999, protesters destroyed 115 biotech trees at the Berkshire site. One researcher pushing the effort told a newspaper that "The extreme environmentalists are preventing us from collecting the evidence. We have to go public and try to move the public debate forward. We know what the consequences will be but we need that debate."

<http://www.telegraph.co.uk/earth/main.jhtml?xml=/earth/2008/08/09/eatrees109.xml>

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### Starvation and Rainforests

Under the headline "UK Biofuel Probably Made of Starvation, Rainforests," Britain's *The Register* reported last month that "...the emerging popular picture of the linkage between current biofuels supplies and rainforest destruction and high food prices seems to be borne out." The paper drew the conclusion after the government of Great Britain released a monthly report on use of biofuels in the UK, reporting that only slightly more than two percent of all fuel consumed in the UK is biofuel. The paper went on to complain that the British government did not seem to know on what type of land—cropland or non-cropland—the feedstock for the biodiesel portion of the consumption was grown. [http://www.theregister.co.uk/2008/08/08/uk\\_gov\\_biofuel\\_report/](http://www.theregister.co.uk/2008/08/08/uk_gov_biofuel_report/)

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### A Rose by Any Other Name...

With a new zero-tolerance policy for drinking and driving across Brazil, it just didn't make sense to have motorists filling up with alcohol at stops along the highway. At least that was part of the thinking in legislation proposed last month to change the name of the sugarcane-based biofuel from *alcohol* to *ethanol*. Plus, there's the fact that just about everyone else around the world calls the stuff ethanol. And, if the goal is to become an internationally traded commodity, it's best to start by making the terminology uniform. The effect of any change would not be to change the product, but just the word at the more than 36,000 service stations across Brazil. Brazil's Sugarcane Industry Union proposed the name change and the slogan "alcohol and driving don't mix" along with it.

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### Grease to Greece Challenge

In all the hectic activity of the past month, you may have missed news of the "Grease to Greece" rally, from London to Athens, in August. Not to worry, though, *The Biofuels Report* has you covered. The rally, a 2,000-mile run by ten cars—eight of which finished the race—finished by August 28. According to *The Scotsman*, vegetable oil for participating vehicles was obtained along the way from restaurants, hospitals and nursing homes. According to *The Scotsman*, "the Grease to Greece rally has

Photo courtesy of *The Scotsman*



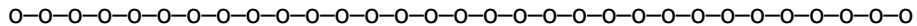


### Federal Money at Home

In a web-exclusive report, *Biomass Magazine* reports the US Department of Energy has provided a \$5.6 million grant for development of a new solvent extraction technology that could lower the price of water removal in the ethanol process. A spokesman for the National Bioenergy Center said the new process could bring about energy savings in the ethanol-production process. The new method involves sending the product through a membrane-solvent system. Among entities involved in the partnership developing the new process are 3M Co, Archer Daniels Midland Co., the National Renewable Energy Laboratory and

Karges-Faulconbridge, Inc.

[http://www.biomassmagazine.com/article.jsp?article\\_id=1981](http://www.biomassmagazine.com/article.jsp?article_id=1981)

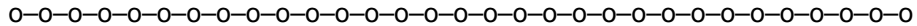


### Obama Acceptance Speech Touches on Biofuels

*Politico.com* reports that a record 38 million people watched Barack Obama's acceptance speech last month, from a stadium in Denver. Here's some of what he said about energy policy:

*As president, I will tap our natural gas reserves, invest in clean coal technology and find ways to safely harness nuclear power. I'll help our auto companies retool, so that the fuel-efficient cars of the future are built right here in America. I'll make it easier for the American people to afford these new cars. And I'll invest \$150 billion over the next decade in affordable, renewable sources of energy — wind power and solar power and the next generation of biofuels; an investment that will lead to new industries and 5 million new jobs that pay well and can't ever be outsourced.*

<http://www.politico.com/news/stories/0808/13011.html>



### The Spanish in Kansas

A Spanish company has said there's no place like Kansas as home to its planned hybrid ethanol plant, slated to manufacture 88 million gallons of ethanol and 12 million gallons of cellulosic ethanol yearly, when up and running, according to *Hutchinson News Online*. Abengoa Bioenergy last year announced plans to build a large ethanol plant in Hugoton, Kansas. At the time, there was little doubt the town's 5,000 residents were looking forward to the benefits of having the plant. But by the end of last month, company officials were talking of spending even more on the plant, and working with local farmers to develop contracts. One company official says the plant will need about 490,000 tons of biomass to produce the targeted 12 million gallons of cellulosic ethanol. The *Hutchinson News Online* reports that approximate three-quarters of the company's biomass will be corn stover.

<http://www.hutchnews.com/Todaystop/bio2008-08-28T20-50-58>

The *The BioFuels Report*, is produced by South American Soy, a global production investment and management company, and is sponsored by the Illinois Corn Marketing Board and in part, by the soybean checkoff.