

IN DESPERATE TIMES FOLLOW THE MONEY
by Ronald H. Miller

Desperate times call for desperate action. That is the situation facing Big Oil at the moment. After spending billions and billions of dollars to extract increasingly expensive oil out of the ground, USEPA is about to hand another 5% market share to its cheaper competitor, ethanol. Time to spend as much money as it takes to destroy the competition.

The Coordinating Research Council (CRC), an oil industry front, recently issued a scathing study noting that 15% ethanol blends (E-15) are far more damaging and constitute a safety problem as compared to E-10, or good old E-0 which hasn't been seen in years. Never mind that NASCAR runs on E-15 and Indy Race Cars run on E-100. Never mind that Brazil has been running successfully on E-25 for over 3 decades. Never mind that USDOE, with significantly more test data on E-15, quickly debunked the CRC study noting their flawed science. It's an embarrassment for an industry that historically has relied on solid scientific data to prove its points. But unlike the past, times are now getting desperate.

Last year consumers saved \$1.09 per gallon because of ethanol. That's over \$140 billion in savings - an economic stimulus in its own right. Today ethanol runs about \$1.00 per gallon less than gasoline and, unlike oil, ethanol is not subsidized by the government. Congress has been strong about paring back or eliminating subsidies for alternative fuels but the massive 9-figure subsidy program for oil and gas has remained untouchable. One might want to "follow the money" to understand this situation better.

For oil, it's like the little Dutch boy with his finger in the dike. We have reached a tipping point where ethanol is cheaper than oil and the spread is widening. This year U.S. farmers are going to produce a record 15 billion bushel corn crop, nearly 2 billion bushels more than the previous record. That's what happens when you create economic opportunity in a free marketplace. Our corn surplus will be the highest in years - that's food *and* fuel. And there many new sugar-based energy crops and new technologies for second generation advanced biofuels that require far less water and fertilizer and are available today. If you are the little oil Dutch boy, you can stand there and try to hold back the flood but in the end you will have to flow with the tide.

Fortunately for America we will see E-15 and eventually E-25 just like Brazil. Renewable energy from the sun is sustainable and cheap while mined carbon out of the ground is essentially finite and increasingly expensive. Free market dynamics will determine the eventual outcome. In the meantime, expect to see a scorched earth campaign against alternative energies, funded by large multi-national oil firms with billions to spend to try to maintain the hundred and fifty year old status quo.

So, the next time you see an anti-ethanol study - Follow the Money.

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