

Staying the Course

By Ronald H. Miller

Recently the Wall Street Journal ran an editorial titled "Al Gore's Ethanol Epiphany" where they state "he concedes the industry he promoted serves no useful service". The editorial itself is hardly an epiphany given the Journal's long history of anti-ethanol bias, preferring to support established big money advertisers in Big Oil and Big Food. Mr. Gore's "epiphany" is hardly that given he has moved on to "greener" pastures (pardon the pun) and needs to reinvent himself with interested financiers such as the gathering in Greece where he made those comments. The scene is reminiscent of 1992 when I met Senator Gore during his Vice Presidential campaign in Illinois. That was another period of economic stress especially in the rural Midwest. During our meeting, the future Vice President said directly to me that "We need a strong ethanol industry to create a strong farm economy to restore jobs and that is why Bill Clinton and I need to be in Washington to get this economy moving again." That is exactly what has happened in the intervening 18 years and now the Wall Street Journal is lamenting the "transfer of wealth to the farm states". My question is transfer from whom?

I am a second generation Big Oil man whose father went to work for Texaco in the oil fields of southern Oklahoma in 1945 after spending two and a half years in overseas combat zones with U.S. Army Air Forces in what was supposed to be the last global war against evil. I joined Texaco in 1971 right out of college and settled into a quiet lifestyle providing one of the two necessary commodities, energy and food, needed in a modern world. The quiet life was shattered two years later when America got on the wrong side of Middle Eastern oil politics and paid a steep economic price during the country's first Energy Crisis. Texaco had invested deeply into the Arabian American Oil Company (Aramco) and paid an even steeper price with less crude oil supply than practically any other competitor. After the crisis we made an effort to shore up our Aramco relationship, now nationalized by the Saudis, while exploring alternative fossil fuel production such as coal reserves (still undeveloped) in Wyoming. In fact, I was interviewing for a possible one-to-two year stint in the Saudi kingdom when Energy Crisis II erupted in 1979. This time Texaco turned to the benefits of renewable ethanol as both a secure domestic energy source and as a clean, high octane replacement for lead in gasoline. Thus began my life in the ethanol industry. As a member of Texaco's Midwestern Region Operations group, we made the initial conversion from leaded premium gasoline to Lead Free Premium Gasohol a 90 octane unleaded fuel designed for premium performance automobiles. Later I assumed responsibility for purchasing Texaco's ethanol and in 1981 I was selected to become Director of Marketing for Texaco's new ethanol joint venture with CPC International known as Pekin Energy Company.

I describe this background as I am about to embark on a series of articles on the U.S. ethanol industry told from the perspective of an industry insider who has been there from the beginning. For over thirty years, I have seen firsthand the impact of ethanol on Main Street and believe it or not, on Wall Street. These articles may never appear in the Wall Street Journal and that is fine. It is Main Street America that is the heart and soul of this effort to create American jobs and deny funding the

enemy in our latest global war against evil. I doubt the elite Eastern media will get it but I can guarantee you the 400,000 workers with good paying jobs due to the ethanol industry and the millions of farmers who have a sustainable marketplace because of ethanol get it. So do the Midwestern communities benefiting from the economic impact of ethanol. Middle Eastern communities probably do not.

The foundation of the ethanol industry is built on a three legged stool of Economic Security, Energy Security and Environmental Protection. In the coming weeks we will explore issues affecting this segment of the energy and food complex in America. Food? Yes, despite food vs. fuel claims, this industry provides high quality food and feed ingredients. We will discuss that aspect as well. Today's ethanol industry is the foundation for tomorrow's diversified, sustainable energy platform. That is ethanol's success. That is also ethanol's curse. It has become meaningful in a marketplace dominated for a 150 years by fossil fuels. We are no longer an annoying fly buzzing around the room. Ethanol is now close to 10% of the gasoline sold in the U.S. That's a big deal if you are a competitor. It's even a bigger deal that the Federal Government in 2007 set this country on a path of replacing 36 billion gallons of fossil fuels, about 25% of our gasoline supply, with renewable fuels by 2022 under the Renewable Fuels Standard. That represents a significant transfer of wealth, but again from whom?

That transfer is certainly not from the taxpayer. In 2009, domestic ethanol production returned \$8.4 billion to federal tax coffers or \$3.4 billion more than the cost of the tax incentive. In addition some \$7 billion in much needed tax revenues were directed to state and local governments hard pressed by the poor economy. Finally ethanol related jobs provided more than \$16 billion in increased household income. Currently ethanol is displacing some 364 million barrels of imported oil per year keeping \$21 billion in the U.S economy versus sending it overseas. Sure some of this \$21 billion goes to the Midwestern farm states but not one dime goes to Middle Eastern oil states. That is a transfer of wealth we can all be proud of. The stakes are high and so is the rhetoric. That is the price of success.

Going back to Mr. Gore's epiphany in front of a group of clean energy investors in Greece. Disavowing one renewable energy for the sake of another is a death trap. Remember the quote, "we shall all hang together, for surely we will hang separately." Ethanol is the foundation for a diversified, sustainable energy economy. Don't get me wrong. I am not anti-oil. We live in a fossil fuel economy and will continue to do so for at least the rest of my life time. However it is not sustainable over the long term. We need balance in our energy, economic and environmental mix. Despite the Journal's assertion to the contrary, ethanol serves a purpose to bring balance to that three legged stool. In the coming weeks and months we will discuss that purpose in more detail.

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