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High fuel blends said crucial for ethanol

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BROOKINGS, S.D. --

Boosting the level of ethanol used in fuel blends is crucial to continuing the alternative energy industry's rapid growth, a panel of experts said.

About half of the gasoline sold across the United States is blended with 10 percent ethanol, but that percentage needs to increase for ethanol to go from being merely an additive to a true alternative, said Don Endres, chairman and chief executive officer of Brookings-based VeraSun Energy Corp., one the nation's largest ethanol producers.

The Environmental Protection Agency, with a stroke of pen, could approve E-20 or even E-30 blends, which would help demand keep up with an ever increasing supply of homegrown fuel, Endres said Wednesday during a farm bill hearing hosted by Sen. John Thune, R-S.D.

"Then, I think, the free market takes hold here," Endres said.

More than 200 people gathered at South Dakota State University for the two-hour field hearing of the Senate Agriculture Committee's energy subcommittee.

Thune recently asked the EPA to approve the use of a 20-percent ethanol blend. He said an E-20 fuel could increase ethanol demand incrementally until car companies can produce enough special flexible fuel vehicles to make an E-85 fuel the norm.

Much of the prepared testimony at Wednesday's hearing focused on the possibility of the industry's transition from corn-based to cellulosic ethanol.

Jeff Fox, vice president of legal and governmental affairs for ethanol-maker Poet, formerly Broin Companies, said he'd like to see the government show its support for the fuel by extending existing tax credits and incentives offered to ethanol industry producers and farmers.

Making ethanol from cellulosic or biomass sources such as switchgrass and wheat straw isn't yet profitable, and such efforts need governmental help to develop, he said.

"If you had to make it today, it's not competitive," Fox said.

Thune said incentives prompted corn-based ethanol's growth and that he doesn't think the industry needs to apologize for trying to bring the U.S. more energy independence. When

the U.S. buys oil for \$60 or \$70 a barrel from countries such as Iran, Saudi Arabia or Venezuela, "you're essentially paying a terrorism tax," he said.

"The oil industry has benefited enormously from those kind of incentives, and has over time," Thune said.

Poet, recently awarded a Department of Energy grant to build a cellulosic ethanol plant, is focusing its efforts on using corn stover and fiber in addition to the kernel.

"We think it does open up that next level of ethanol production," Fox said.

Kevin Kephart, director of SDSU's Sun Grant Initiative program, said South Dakota is poised to play a big role in growing energy crops for cellulosic ethanol production.

"We are in the heart of what was once the tall grass prairie," Kephart said.

He said it's hard to predict which energy crop will be most widely used and that the eventual solution likely will be a mixture of feedstocks.

"We don't believe that any species will be a silver bullet," he said.

Environmentalist Dave Nomsen said the move toward using native grasses as energy crops is inevitable, but the transition should be consistent with soil, water and wildlife objectives.