



Rebuttal to Ethanol Demand Destruction Argument

Over the last several weeks, ethanol advocates have argued that small refinery exemptions (SREs) and consequent reduced RINs costs have reduced demand for ethanol. This argument, most recently reflected in skewed data provided by RFA, has been parroted by some in government and in the media. However, when more accurate EIA monthly data is reviewed and when ethanol executives speak on their own earnings calls, a very different picture emerges. In fact, numerous factors like octane demand and ongoing RFS compliance obligations have resulted in continued high rates of ethanol blending and demand. This should not be much of a surprise because a wealth of historical data has always shown that high RINs prices do not result in additional blending; high RINs prices simply enrich speculators and endanger industrial jobs.

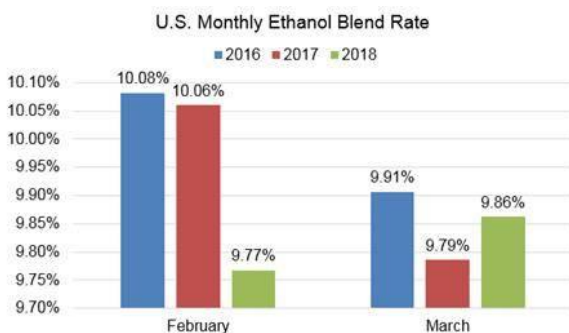
RFA's latest blog post once again relies very heavily on weekly data. It is not refining lobbyists that criticize using weekly data for analysis, but EIA itself:

- “The weekly data are not expected to have the same level of accuracy as the preliminary monthly data when compared with final monthly data.” (<https://www.eia.gov/petroleum/supply/weekly/pdf/appendixb.pdf>)
- “To assess the accuracy of weekly statistics, monthly estimates derived from weekly estimates are compared with the final monthly aggregates published in the Petroleum Supply Annual (PSA). Although final monthly data published in the PSA are still subject to error, they have been thoroughly reviewed and edited, they reflect all revisions made during the year, and they are considered to be the most accurate data available.” (Ibid.)

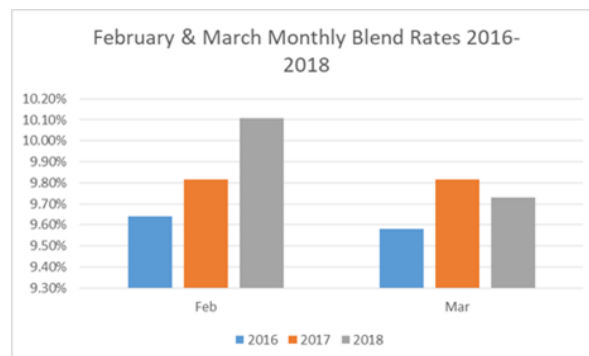
When RFA claims to use monthly data, its math does not add up:

- TOTAL monthly ethanol consumption can be found on EIA's “Refiner & Blender Net Input” page. (https://www.eia.gov/dnav/pet/pet_pnp_inpt_dc_nus_mbbldpd_m.htm)
- Finished motor gasoline consumption is found on the EIA's “Product Supplied” page. (https://www.eia.gov/dnav/pet/pet_cons_psup_dc_nus_mbbldpd_m.htm)
- Using this data changes the look of RFA's charts significantly:

RFA monthly table using the wrong data:



Monthly table using the CORRECT data:



Using the correct data reveals not only that there is **NO** reduction in domestic ethanol demand, but that February experienced the highest blend rate over the last year and a quarter:

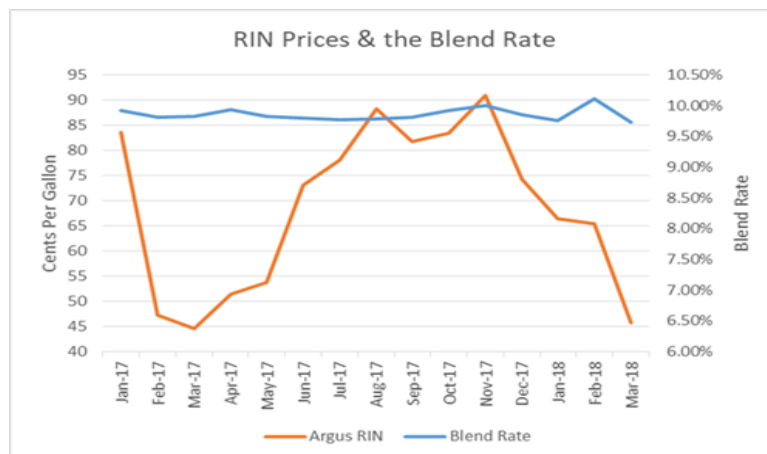
- Despite RINs falling from 90 cents in November to 45 cents in March, there was **NO** backsliding in the blend rate.
 - **The average Q1 2018 blending rate was 9.86 percent, compared to 9.85 percent in Q1 2017.**
 - **The February 2018 blend rate was actually higher than not only February 2017, but also any time over the last year and a quarter.**

- While the March 2018 blend rate was lower than February (which was the highest in the last year and a half), **physical ethanol consumption in domestic gasoline was up 30,000 barrels per day from February, physical ethanol consumption was also up year-over-year, and the March 2018 blending rate was not significantly below the March 2017 blend rate, even though the March 2017 average RIN price was LOWER than the March 2018 average RIN price.**

Month	Fuel Ethanol	Finished Gasoline	Blend Rate	Argus RIN
Mar-18	919	9446	9.73%	45.72
Feb-18	891	8817	10.11%	65.41
Jan-18	853	8742	9.76%	66.32
Dec-17	906	9196	9.85%	74.20
Nov-17	914	9141	10.00%	90.94
Oct-17	927	9347	9.92%	83.31
Sep-17	915	9329	9.81%	81.67
Aug-17	955	9770	9.77%	88.14
Jul-17	935	9573	9.77%	78.09
Jun-17	957	9766	9.80%	73.13
May-17	942	9590	9.82%	53.78
Apr-17	919	9248	9.94%	51.46
Mar-17	918	9352	9.82%	44.51
Feb-17	882	8986	9.82%	47.24
Jan-17	843	8501	9.92%	83.50

(NOTE: Ethanol and gasoline values in the table above are in thousand barrels per day.)

The data **CONTINUES** to show that there is no logical correlation between RINs and the blend rate:



These circumstances are likely why ethanol industry executives are touting growth prospects at home and abroad:

- As the Green Plains Chief Executive Officer told his investors a few weeks ago: “Currently, ***we have no reason to change our fundamental outlook for 2018, a 16.1 billion gallons of ethanol production, 14.4 billion gallons to 14.5 billion gallons of domestic blending and 1.6 billion gallons to 1.8 billion gallons of exports.*** We saw record exports totaling 512 million gallons in the first quarter, there were a number of new players buying U.S. ethanol including Colombia, Saudi Arabia and Switzerland. Brazil first quarter totaled nearly 240 million gallons.”
 - (<https://seekingalpha.com/article/4170899-green-plains-gpre-ceo-todd-becker-q1-2018-results-earnings-call-transcript?page=4>)