The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

This is a bit corny - but following Yankee, what can I say?

Posted by Heading Out on April 20, 2006 - 11:14pm
Topic: Supply/Production

Down at the bottom of the earlier thread, is the comment that some of the gas stations on the East Coast are running out of gas. It has also been noted by CNN, and so I will pinch some of their story to give the official word.

(This is the Conference season for Academics and though I have to go out of town for family reasons this weekend, I will also be gone in a couple of weeks for the Peak Oil and the Environment Conf in Washington - which seems to be shaping up to have a very powerful agenda.)

(**[editor's note, by Yankee]** I'd also like to take this opportunity to remind you of the upcoming conference in New York City, Local Solutions to the Energy Dilemma, April 27-29.)

Anyway enough of the excuses. The main part of the story is both a partial explanation of the interesting curve I posted on gas storage, and the immediate shortage that is closing gas stations - in a word MTBE

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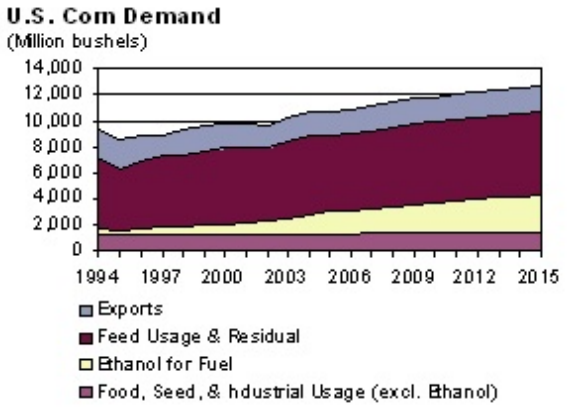
> The National Association of Convenience Stores, whose 2,200 member stores account for 75 percent of U.S. gasoline sales, also said members had reported shortages at terminals around Wilmington, Delaware, and Philadelphia.
>
> The shortages are not because refiners are not making enough gasoline, or because of a recent rupture on the key Plantation Pipeline that carries supplies from the Gulf Coast to the East Coast, industry officials said.
>
> Rather, the oil industry is rapidly eliminating a gasoline additive called MTBE, banned in several states for polluting ground water, and replacing it with ethanol, a renewable fuel that can't be shipped by pipeline because it absorbs water.
>
> "There's not a shortage of supply," said John Eichberger, a spokesman for the group. "It's a transitional issue."

The transition is a marker for the greater infusion of ethanol into gasoline, and in the immediate short-term this is going to be something that will give the general public a bit of a warm fuzzy, as well as making those farmer co-operatives that are getting into the business a rather short ROI (numbers I heard today from one of those "insider folks" were on the order of 13 months). Unfortunately down the road a couple of years it is still unlikely to make nearly as much

difference as it is doing in Brazil.

There are a couple of reasons for this, one being the overwhelming size of the problem in gas shortage that is heading into the world future. The other is that, as China transitions to an industrial economy it's ability to provide food is likely to decline. Thus the ability of the US to meet some of this need from it's agricultural abundance may significantly help our domestic relations (to blur a point). However, as other countries are already finding, ethanol and food are alternate products from the same land. (Although, and this also gets neglected in many discussions, the side product of ethanol production is a brewers grain that is a good feed for livestock).

In the short-term there is an ability to meet an increased demand in the US



It is only in the out years that we will see the conflict develop as we also find that you can't have it both ways, despite:

> high crude oil prices have made ethanol prices competitive as a replacement for gasoline. Other factors that have changed recently include improved ethanol processing yields (2.50 gallons of ethanol per bushel of corn in 1980, compared with 2.85 gallons per bushel today), strong increases in corn productivity with little or no increase in fertilizer use, and greater use of specific corn varieties that are tailored to ethanol use. The pipeline for technology and information is fuller today than ever, assuring that the industry will be even more efficient and competitive in the future.

Hopefully the Conference will have some more optimistic news than this!