

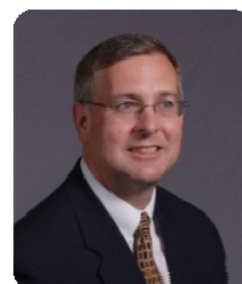


FOCUS: BIOFUELS

The Changing Fortunes of the Biofuels Industry Under an Obama Administration

The Context Network is preparing a new white paper on the changing fortunes of the U.S. biofuels industry under the Obama Administration. Two significant policy changes that are under consideration are the gradual removal of incentives favoring first generation biofuels based on corn and soybean oil and a federal low-carbon fuels standard similar to the one that has already been signed into law in California.

The Obama Administration is likely to pursue a gradual reduction in both blender's credit and the tariff on imported ethanol. Heather Zichal, the Obama campaign's energy policy advisor, carefully stated in an Oct. 17th interview with Mike Adams of *Agri-Talk* that an Obama administration would continue to support the RFS provisions of the Energy Independence and Security Act of 2007 (EISA) but that the blender's tax credit and the import tariff would be reviewed and the amount of each may be reduced over time. The blender's credit has already been scheduled to decline to 45 cents per gallon from 51 cents per gallon this year and is likely to be reduced further over time though the timeline has yet to be considered. Reducing the import tariff would be a logical move towards expanding ethanol usage along the Gulf and East coasts as it would overcome the transportation challenges of shipping ethanol from the Midwest.



Context
Senior
Associate,
Jim Murphy

Equally as far reaching are plans for a low-carbon fuel standard which would require the carbon content of fuels to be reduced. Depending on how a low-carbon fuel standard would be written, it could be a boon for ethanol since ethanol contains oxygen and is naturally a lower carbon fuel, and an extreme challenge for gasoline and diesel fuels which are composed of only hydrogen and carbon.

A number of other energy related policies under discussion among President-elect Obama's administration are likely to affect the U.S. biofuels industry. The white paper that will be published in early 2009 will cover all of the proposed policies and their potential impact on feedstock suppliers and the broader biofuels industry.

Murphy is principal author of Context's biofuels reports including [The Future of the North American Biofuels Industry](#). For more information, contact jim.murphy@contextnetwork.com.

###

The Context Network provides business management and strategy consulting services to the world's leading agriculture, biotechnology and food companies and government agencies and institutions. Major areas of expertise include strategy, merger and acquisition support, valuation of new technologies, formation of alliances, and market research. The West Des Moines-based firm is composed of a core of professional consultants that is complemented by a network of more than 100 industry and subject-area experts.