OPIS Ethanol & Biodiesel Information Service

Pricing, News and Analysis for Buying and Supplying Ethanol-Blended Fuel and Biodiesel

January 23, 2012 • Volume 9, Issue 4

In Each Issue ...

Ethanol Market Overview 1
Ethanol and Gasoline Component Spot Prices 1-2
Block Term Contract Prices in Key Markets 3
Bulk Truck Spot Prices in Key Markets............................ 3
Key Petroleum and Biofuels Industry Statistics 5
Biofuels Stock Performance 6
Inside Washington 7
Renewable Fuels Averages 8
News of the Week 9-10
In Key Commodity Markets 11-13
Renewable Fuel Feedstock/Co-Product Price Index 14
Biodiesel/Ethanol Plant Profitability 14
European, Brazilian and CBI Markets 15-16

Ethanol Futures (cts/gal contract price)

	Feb. 12	March 12	April 12	May 12
CBOT	213.10	215.10	216.90	218.70

Settlement Thursday, January 19, 2012 Source: Chicago Board of Trade

Ethanol & Gasoline Component Spot Market Prices

U.S. RINs (prices in U.S. $/RIN)

	Friday 01/13	Monday 01/16	Tuesday 01/17	Wednesday 01/18	Thursday 01/19	Wkly. Avg.
U.S. Ethanol RINs						
Current Yr	0.0190-0.0220	Holiday	0.0190-0.0210	0.0190-0.0205	0.0190-0.0195	0.01988
Previous Yr	0.0030-0.0035	Holiday	0.0030-0.0040	0.0030-0.0035	0.0030-0.0035	0.00331
U.S. Cellulosic RINs						
Current Yr	0.7700-0.7900	Holiday	0.7700-0.7900	0.7700-0.7900	0.7700-0.7900	0.78000
Previous Yr	1.1200-1.1400	Holiday	1.1200-1.1400	1.1200-1.1400	1.1200-1.1400	1.13000
U.S. Biodiesel RINs						
Current Yr	1.5000-1.5400	Holiday	1.4800-1.5200	1.4700-1.4800	1.4600-1.5000	1.49375
Previous Yr	1.3000-1.3100	Holiday	1.3300-1.3500	1.3400-1.3500	1.3500-1.4000	1.34125
U.S. Advanced Biofuel RINs						
Current Yr	0.7600-0.8500	Holiday	0.8000-0.8500	0.7600-0.8200	0.7700-0.8500	0.80750

Chicago (prices in U.S. $/gal.)

	Friday 01/13	Monday 01/16	Tuesday 01/17	Wednesday 01/18	Thursday 01/19	Wkly. Avg.
Ethanol	2.1000-2.1300	Holiday	2.1100-2.1250	2.0850-2.1000	2.0950-2.1050	2.10625
B100 SME	4.5000-4.6000	Holiday	4.5400-4.6400	4.5000-4.6000	4.5250-4.6250	4.56625
RBOB Unl	2.6292-2.6892	Holiday	2.6413-2.6513	2.5854-2.6054	2.5158-2.5358	2.60668
RBOB Pre	2.8842-2.9442	Holiday	2.8963-2.9063	2.8354-2.8554	2.7408-2.7608	2.85293
Unleaded	2.5942-2.6542	Holiday	2.6063-2.6163	2.5654-2.5854	2.5158-2.5358	2.58418
CBOB Unl	2.5742-2.6342	Holiday	2.5863-2.5963	2.5254-2.5754	2.4758-2.4958	2.55793
ULSD	2.8072-2.8272	Holiday	2.7372-2.8372	2.6134-2.6734	2.5960-2.7460	2.72970

Chicago Rule 11 (prices in U.S. $/gal.)

	Friday 01/13	Monday 01/16	Tuesday 01/17	Wednesday 01/18	Thursday 01/19	Wkly. Avg.
Current Yr	2.1000-2.1200	Holiday	2.1200-2.1300	2.0950-2.1200	2.1000-2.1100	2.11188

Ethanol Market Overview: DOE underscores heavy ethanol

Ethanol spot market could not break out of its New Year doldrums over the last week, sinking back when corn price sold off but not getting much traction when the grain values rebounded.

With prompt cash markets thin and often priced below the next month, sources continued to note the feel of a heavy ethanol market which was not dissuaded in the least by the latest inventory figures from the U.S. Energy Department.

In Chicago, for example, spot ethanol for the next week through the end of January traded within a couple cents of $2.10/gal through most of the week, with late trading again gravitating to that number. While off something like a couple cents week-to-week, it also showed ethanol values down as much as 2-3cts versus February values.

If that was not enough, DOE reported that for the week ending Jan. 13, the nation's ethanol supply swelled an additional 762,000 bbl from the week before and at 19.535 million bbl, revealed the most material on hand since the week of June 10.

Since mid-December last year, U.S. ethanol stocks climbed more than 10.5%, which also put ethanol supply 9.74% ahead of the storage level DOE reported for the same week last year.

Most of the week-to-week ethanol stock build took place in the East Coast and Midwest. The East Coast accounted for 659,000 bbl of added material for the week, up 10.31% at 7.051 million bbl. That put ethanol supply in the East the

Continued on page 3

New York (prices in U.S. $/gal.)

	Friday 01/13	Monday 01/16	Tuesday 01/17	Wednesday 01/18	Thursday 01/19	Wkly. Avg.
Ethanol	2.2000-2.2200	Holiday	2.2200-2.2400	2.2100-2.2300	2.2000-2.2300	2.21875
Ethanol Fwd	2.1900-2.2000	Holiday	2.2200-2.2400	2.2100-2.2300	2.2100-2.2500	2.21875
RBOB Unl	2.7272-2.7292	Holiday	2.7633-2.7643	2.8179-2.8279	2.8083-2.8183	2.78205
RBOB Pre	2.8817-2.8867	Holiday	2.9238-2.9288	2.9779-2.9804	2.9708-2.9758	2.94074
CBOB Unl	2.7182-2.7282	Holiday	2.7553-2.7653	2.8164-2.8264	2.8048-2.8148	2.77868
CBOB Pre	2.8792-2.8892	Holiday	2.9163-2.9263	2.9729-2.9829	2.9683-2.9783	2.93918
Unleaded	2.7492-2.7592	Holiday	2.7863-2.7963	2.8454-2.8554	2.8358-2.8458	2.80918
ULSD	3.0472-3.0572	Holiday	3.0597-3.0697	3.0309-3.0409	3.0560-3.0660	3.05345

For more spot market pricing locations see page 2

Ethanol & Gasoline Component Spot Market Prices (cont.)

Gulf Coast *(prices in U.S. $/gal.)*

	Friday 01/13	Monday 01/16	Tuesday 01/17	Wednesday 01/18	Thursday 01/19	Wkly. Avg.
Ethanol	2.2000-2.2300	Holiday	2.2200-2.2450	2.2150-2.2350	2.2250-2.2450	2.22688
B100 SME	4.7000-4.8000	Holiday	4.7400-4.8400	4.7000-4.8000	4.7250-4.8250	4.76625
RBOB Unl	2.7252-2.7367	Holiday	2.7563-2.7663	2.8104-2.8154	2.7938-2.8008	2.77561
RBOB Pre	2.9477-2.9592	Holiday	2.9828-2.9938	3.0379-3.0429	3.0238-3.0308	3.00236
CBOB Unl	2.7127-2.7242	Holiday	2.7478-2.7638	2.8044-2.8094	2.7913-2.7983	2.76899
Unleaded	2.7177-2.7292	Holiday	2.7528-2.7638	2.8079-2.8129	2.7938-2.8008	2.77236
ULSD	3.0057-3.0087	Holiday	3.0147-3.0172	2.9909-2.9954	3.0085-3.0175	3.00733

Los Angeles *(prices in U.S. $/gal.)*

	Friday 01/13	Monday 01/16	Tuesday 01/17	Wednesday 01/18	Thursday 01/19	Wkly. Avg.
Ethanol	2.2400-2.2700	Holiday	2.2300-2.2700	2.2200-2.2500	2.2350-2.2550	2.24625
CARBOB - R	2.8342-2.8692	Holiday	2.8513-2.8663	2.8854-2.9154	2.9108-2.9208	2.88168
CARBOB - P	2.9042-2.9392	Holiday	2.9213-2.9363	2.9504-2.9804	2.9608-2.9708	2.94543
ULSD	2.9922-3.0022	Holiday	3.0310-3.0360	3.0112-3.0212	3.0260-3.0335	3.01916

Nebraska - fob Railcar *(prices in U.S. $/gal.)*

	Friday 01/13	Monday 01/16	Tuesday 01/17	Wednesday 01/18	Thursday 01/19	Wkly. Avg.
Ethanol	2.0100-2.0400	Holiday	2.0000-2.0500	1.9800-2.0200	1.9700-2.0200	2.01125

Tampa *(prices in U.S. $/gal.)*

	Friday 01/13	Monday 01/16	Tuesday 01/17	Wednesday 01/18	Thursday 01/19	Wkly. Avg.
Ethanol	2.2500-2.2800	Holiday	2.2700-2.2900	2.2400-2.2600	2.2200-2.2600	2.25875

Dallas *(prices in U.S. $/gal.)*

	Friday 01/13	Monday 01/16	Tuesday 01/17	Wednesday 01/18	Thursday 01/19	Wkly. Avg.
Ethanol	2.1700-2.2000	Holiday	2.1900-2.2000	2.1500-2.1900	2.1500-2.1900	2.18000

San Francisco *(prices in U.S. $/gal.)*

	Friday 01/13	Monday 01/16	Tuesday 01/17	Wednesday 01/18	Thursday 01/19	Wkly. Avg.
Ethanol	2.2400-2.2700	Holiday	2.2300-2.2700	2.2200-2.2500	2.2350-2.2550	2.24625

Pacific Northwest *(prices in U.S. $/gal.)*

	Friday 01/13	Monday 01/16	Tuesday 01/17	Wednesday 01/18	Thursday 01/19	Wkly. Avg.
Ethanol	2.2100-2.2400	Holiday	2.2100-2.2400	2.1900-2.2200	2.1900-2.2300	2.21625

Methodology and Definitions

OPIS derives ethanol, gasoline and biodiesel prices from many means, including surveying buyers and sellers via phone/e-mail, and receiving postings electronically from producers and purchasers. While OPIS makes best efforts to insure the accuracy and timeliness of its prices, it in no way guarantees either the accuracy or timeliness of any of the data included herein. Definitions are as follows:

Ethanol Spot Price (Bulk Barge/Rail): These are large quantity pure ethanol deals transacted or being discussed in certain FOB markets.

Brazil Ethanol: Undenatured anhydrous ethanol cargoes, FOB Brazil terminals for export, typically 50,000 bbl or more available 5-30 days from the date of publication. The assessment generally reflects price at the Santos export terminal, though others may be used for assessment purposes.

Block Term Contract Values: These are the three-to-six month contract deals between large buyers and sellers of pure ethanol. Some are done as fixed, and those deals are reported in the "Fixed" column. Other deals are done based on a differential to certain gasoline benchmarks (usually conventional spot unleaded). Those formulae are tracked and reported by market each week in the "Formula"column and calculated (based on the closing Thursday price of the gasoline benchmark) to arrive at a "Formula Calculated" price. All deals ("Fixed" and "Formula") are reported from a weighted average survey.

Bulk Truck Spot Prices (Rack): These are the prices for truck quantities of pure ethanol at storage points in the given market. These prices are not posted – they are offered to buyers given supply and demand dynamics at prices discovered and published by OPIS.

Splash Blend Rack Prices: These are the average of the Thursday closing price that producers and resellers are posting at various rack locations. Typically prices are for small quantities that marketers pull to blend into gasoline to create and deliver ethanol-blended gasoline to accounts.

Splash Blend Producer Prices: These are the average of the Thursday closing price that producers (not resellers) are posting at various rack locations. Typically prices are for small quantities that marketers pull to blend into gasoline to create and deliver ethanol-blended gasoline to accounts.

Continued from page 1

highest in the nation, up 16.24% compared to a year ago.

Midwest ethanol stores climbed 208,000 bbl week-to-week, an increase of 3.27% from the week before at 6.574 million bbl.

Rack postings in the Midwest mostly returned to discount territory by late in the week. Iowa rack postings averaging $2.263/gal by late last week dropped 7.62cts week-to-week, while those in Nebraska at $2.275/gal were off 7.72cts on average. Illinois racks at $2.418/gal lost 6.77cts on average from a week ago. Late word indicated some larger price cuts coming to racks ahead of the weekend, with, several Des Moines postings reportedly dropping a few cents under $2.20/gal.

New York Harbor spot ethanol via barge for January traded $2.23/gal at midweek, though subsequent talks had sellers coming a bit off that number in search of bids. February ethanol barges in the Harbor were called flat to a penny over January by late last week. March barges ran about a penny more than February.

West Coast markets turned quiet through most of last week. For next month, more than one February rail deal to Northern California at midweek fetched $2.23/gal.

Ethanol prices were described as particularly heavy in the Pacific Northwest, owing to the poor weather as well a system flush with supply. "Not a lot of options once railcars are sent into PNW," noted one market player, adding that he was "seeing loads cancelled-postponed every day."

Some build up in ethanol stocks would not be surprising given the very low level of gasoline demand of late, however DOE also revealed production continued to ease from December's record rates. In the last week, U.S. ethanol plants averaged 941,000 b/d of output, down a slight 0.32% from the week before and the second weekly downturn in a row, but 3.1% more than a year ago.

Soft ethanol values may have started to rekindle some extra blending, even without the help of the now-expired federal blender credit. Conventional gasoline blended with ethanol increased by 2.52% week-to-week, according to DOE, running at 4.843 million b/d, which was also up 7.4% from the same week last year.

Ethanol Buying Prices in Key Markets

City, State	Ethanol Spot Price (Bulk Barge/Rail)	-------Block Term Q2-Q3 Contract Values------- Fixed	Formula	Formula (calculated)	Bulk Truck Spot Prices (Rack)	Splash Blend Rack Prices	Splash Blend Producer Prices
Albany, NY	218.00	261.50			224.00	N/A	N/A
Houston, TX	223.50	265.50	NYMEX RBOB Unl -34.5	247.08	229.50	N/A	N/A
New Haven, CT	225.00	269.25	NYMEX RBOB Unl -31.5	250.08	N/A	N/A	N/A
New York, NY	221.50	265.75	NYMEX RBOB Unl -35	246.58	226.50	N/A	N/A
Chicago, IL	210.00	254.50	NYMEX RBOB Unl -45	236.58	213.00	N/A	N/A
Louisville, KY	214.00	N/A	N/A	N/A	214.50	N/A	N/A
Minneapolis, MN	205.00	N/A	N/A	N/A	208.00	223.47	220.98
St. Louis, MO	211.00	253.50	NYMEX RBOB Unl -44	237.58	215.00	254.5	N/A
Los Angeles, CA (90.1)	224.50	267.50	NYMEX RBOB Unl -30	251.58	228.00	400	N/A
Phoenix, AZ	222.50	265.00	NYMEX RBOB Unl -32.5	249.08	N/A	N/A	N/A
San Francisco, CA (90.1)	224.50	267.50	NYMEX RBOB Unl -30	251.58	228.00	N/A	N/A
Pacific Northwest	221.00	N/A	N/A	N/A	N/A	296.5	N/A
Note: For extensive Splash Blend Producer and Reseller Prices by supplier, please see separate price supplement or call 888-301-2645.							

Ethanol Truck & Splash Prices in Key Markets

City, State	Bulk Truck Spot Prices (Rack)	Splash Blend Rack Prices	Splash Blend Producer Rack Prices
Cleveland, OH	215.00	236.15	N/A
Decatur, IL	202.00	236.25	N/A
Des Moines, IA	200.50	221.13	218.94
Doniphan, NE	198.00	213.93	211.22
Fargo, ND	197.00	222.75	220.94
Indianapolis, IN	205.00	240	N/A
Kansas City, KS	206.50	218.53	218.77
Madison, WI	205.00	234.5	235
Omaha, NE	200.00	218.24	220.55
Peoria/Pekin, IL	201.00	247.15	N/A
Sioux City, IA	199.50	215.74	214.12
Sioux Falls, SD	201.00	216.18	215.77
Topeka, KS	205.50	220.8	220.33
Wichita, KS	206.00	226.27	222.86
Denver, CO	209.50	241.17	N/A

LCFS ruling appeal further muddles future for fuel suppliers

The appeal of a recent federal court ruling that dealt a blow to the California Low Carbon Fuel Standard (LCFS) further complicated what had already been a murky future for fuel suppliers.

The California Air Resources Board (CARB) filed a notice of appeal earlier this month to a district court ruling the previous week that found that the LCFS program violates the Commerce Clause of the U.S. Constitution.

The Dec. 29 ruling by Judge Lawrence J. O'Neill of the U.S. District Court for the Eastern District of California said the state overreached in creating the program, making it unconstitutionally punitive for farmers and ethanol producers outside of the state's border.

Though welcomed by some, the court decision makes a confusing situation more murky.

"If you wanted to thoroughly confuse dependable delivery of fuels to motorists, you could not come up with a better plan than LCFS," said Jay McKeeman, vice president of government relations for the California Independent Oil Marketers Association (CIOMA).

The LCFS program, which began in 2011, required regulated industries, including refiners and other suppliers of motor fuel, to reduce the carbon intensity (CI) of the products they sell by 0.25%, part of a plan to reduce overall greenhouse gas emissions by an average of 10% by 2020. Included in the LCFS are CI values for various fuels using a number of production pathways and feedstocks.

Additionally, as with EPA rules for implementing the expanded renewable fuels standard, the LCFS includes indirect land use change (ILUC) in its carbon intensity calculations.

Under the state's climate change regulations, commonly known as AB 32 requirements, refiners would not only be responsible for reducing the carbon emissions from their stationary sources, such as refineries, but also from the motor fuels they produce.

McKeeman notes that "LCFS alone does not require installation of hydrogen, electric or other infrastructure."

He added, "However, retailers will need to make assessments of how various factions are going to strategize on transportation energy, and how consumers are going to react to various offerings from auto makers. Then they will need to make business decisions on what paths to follow. Depending on the chosen paths, they may need to invest in alternate fuel delivery infrastructure."

There are many obstacles to installing alternative-fuel infrastructure, McKeeman pointed out, largely related to cost "and how the pay-back will be made depending on the number of customers you are betting will use your facilities."

Tupper Hall, vice president of strategic communications for the Western States Petroleum Association, noted that such installations had not yet begun.

"No one had started installing anything in response to this regulation," he said. "The regulation is still being developed and the major oil companies are not about to start installing equipment at stations they neither own nor operate."

Mike Lewis, co-owner of Pearson Fuels, a San Diego-based alternative fuels infrastructure developer and distributor, indicated that some in the industry are not even familiar with LCFS.

"I think if you talk to the station owners that are doing these things," he said, "a lot of them would say, 'What is LCFS?' The average retail guy getting a hydrogen station is not typically doing it because of LCFS. Rather, he thinks he is going to make some money because ultimately LCFS is going to drive a lot of attention into that area and they went to be first movers.

"What LCFS has done is to make things potentially more profitable in the future that will not be as profitable otherwise. It has encouraged a lot of serious consideration of investment because of the benefits it provides."

A gradual rollout of vehicles such as those that use hydrogen will also affect return-on-investment decisions, McKeeman said.

"Beyond that, various blending stocks not yet to market may not be fully vetted for delivery in the current infrastructure," he added, "so that may influence decisions on whether the fuel is retailed; there is no one system to assure that a fuel has been certified or obtained third-party clearances, so it is a very ad hoc condition."

Meanwhile, McKeeman said, the ruling against LCFS "will largely affect supplier decisions on blending stocks anticipated to help in making LCFS carbon reductions."

"It is unclear how much effect this will have as CARB continues to require reporting," he added, "and as such may affect supplier compliance liability depending on the outcome of the lawsuits and appeals."

Hall said his group "had initially not been opposed to the low carbon fuel standard that was proposed as a concept, but as the regulations became more convoluted, it evolved to the point where it was not feasible and there were not going to be the volumes of biofuels necessary."

"So consequently," he said of the ruling, "it was a relief."

Hall added that "CARB now has the opportunity to do what we urged them to do in December before the ruling, which is to start looking at alternatives as to how to address the question of carbon emissions within the transportation sector. The LCFS has increasingly shown to be, if not infeasible, then to have the potential to be extraordinarily costly to consumers."

PMAA: LCFS 'hugely complicated'

"It's a real positive, predominantly for our member companies in California," said Dan Gilligan, president of the Petroleum Marketers Association of America. "We have thought all along that the standard would not work and is impractical. It was really going to screw up the marketplace and add all kinds of unnecessary costs for consumers there.

"It is hugely complicated. Who knows what the consequences would have been? It would be great if the whole Low Carbon Fuel Standard just went away."

The base purpose of the rule "is to reduce carbon emissions to help address worldwide climate change," Gilligan said, adding: "That rule would do not one thing to change the climate of the Earth. If there is going to be a climate change initiative, it has to be done globally. It makes the fuel extremely expensive, but it doesn't do anything to change the atmosphere of the Earth."

Gilligan called the move "a political statement" by California officials.

"They're frustrated that the world is not doing enough about carbon content in fuels, so they are going to do something on their own," he said. "It is a political initiative instead of a measure of real consequence for the climate. This is an extremely costly enterprise to be making political statements." The current state of the California economy makes the program particularly foolhardy, according to Gilligan.

Refiners in the state would end up needing to import ethanol from Brazil, Gilligan said, "because the carbon footprint of ethanol produced by sugar there is significantly lower than the carbon content of ethanol produced in Iowa with corn."

Gilligan expressed hope that the move on the West Coast would reverberate in other parts of the country. The Northeast States for Coordinated Air Use Management, a group representing eight U.S. states, has been considering a low carbon fuel standard, according to Gilligan.

"A lot of their proposals have mirrored what California was trying to do," he said. "Now that the California standard has been effectively challenged, we're hoping that will slow down the moves in the Northeast."

John Eichberger, vice president of government relations for the National Association of Convenience Stores, also cited the effect the ruling may have on other states, saying that they "have been looking toward the California model for their own regulatory agendas, and this decision should slow those developments."

Eichberger claimed that the program "would have put fuel retailers and consumers at a serious disadvantage, threatened the viability of many energy-related businesses, driven up supply costs and contributed to further economic challenges for California and surrounding states."

"It is possible to balance environmental protection with economic security," he added, "but the LCFS adopted by California is not the way. Hopefully, this decision will provide additional time and motivation to stakeholders who wish to construct a realistic energy policy."

Legal sources indicated that a motion to stay the preliminary injunction that enjoins enforcement of the LCFS is likely to be filed amy day. That brief will probably play out over the next 30 days or so, they said, but it is unlikely that the district court would change its mind.

"It spent 90 pages essentially reasoning why the LCFS discriminates against out-of-state sources of crude oil and out-of-state ethanol producers," one source said. "The judge is unlikely to reverse himself, and once he issues a ruling on that, it would go to a challenge to the district court ruling on its merits in the 9th Circuit Court of Appeals."

The source said it would not be a surprise if the case eventually winds its way to the Supreme Court.

At least one key leader of the state's biodiesel industry expects that CARB's wishes will ultimately prevail.

At the California Biodiesel and Renewable Fuels Conference earlier last week, Eric Bowen, chairman of the California Biodiesel Alliance, predicted that "CARB will win this battle," and that even if the state loses its appeal, some kind of low carbon fuel standard "is here to stay."

Lewis had similar sentiments about the appeal's chances.

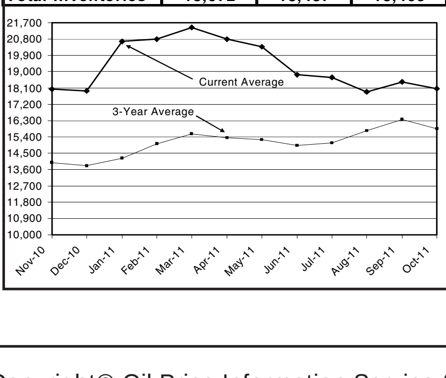
"I am unqualified to say," he conceded, "although what I do know is that CARB has historically been pretty successful in defending their legal positions."

Key Supply & Demand Statistics

Source: EIA. All statistics shown in thousands of bbl.

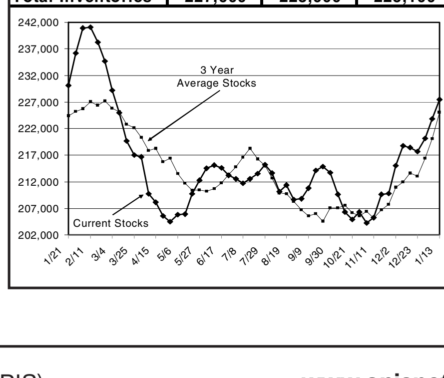
Ethanol Supply

Ethanol	Current	Prev Mo	3-Yr Avg
PADD 1 Inventories	6,010	5,926	6,514
PADD 2 Inventories	6,733	6,920	7,200
PADD 3 Inventories	2,837	2,949	2,469
PADD 4 Inventories	241	235	220
PADD 5 Inventories	2,251	2,407	2,062
Total Inventories	**18,072**	**18,437**	**18,465**



Gasoline Supply

Gasoline	Current	Last Week	3-Yr Avg
PADD 1 Inventories	59,100	58,000	59,967
PADD 2 Inventories	54,700	53,500	52,167
PADD 3 Inventories	75,000	74,900	74,700
PADD 4 Inventories	7,300	7,300	6,500
PADD 5 Inventories	31,500	30,200	31,767
Total Inventories	**227,600**	**223,900**	**225,100**



Ethanol Production

Ethanol	Current	Prev Mo	3-Yr Avg
PADD 1	516	341	449
PADD 2	25,844	24,628	20,786
PADD 3	783	767	423
PADD 4	440	430	356
PADD 5	509	479	269
Total Production	**28,092**	**26,645**	**22,283**

Gasoline Production

Gasoline	Current	Last Week	3-Yr Avg
PADD 1	2,682	2,555	2,340
PADD 2	2,224	2,191	2,175
PADD 3	2,112	2,181	2,434
PADD 4	275	288	303
PADD 5	1,464	1,387	1,444
Total Production	**8,757**	**8,602**	**8,695**

Stock Market Movers:
SG Biofuels completes financing; ADM to release financials

California-based plant science company SG Biofuels has completed a $17 million Series B financing.

The financing round was led by Thomas, McNerney & Partners, with participation from Finistere Ventures and current investors Flint Hills Resources LLC and Life Technologies Corporation.

The company said it will use the proceeds to expand research and development, advance commercialization efforts and scale global operations.

In financial reports, Archer Daniels Midland (ADM) will release financial results for its second quarter of FY2012 before the market opens on Jan. 31.

ADM's conference call will begin at 8 a.m. CST to discuss financial results and provide a company update.

The company will likely face scrutiny from investors during the call, since ADM recently announced plans to eliminate approximately 1,000 positions, representing 3% of the company's total workforce worldwide.

ADM also announced recently that subsidiary ADM Polymer Corp. will end its commercial alliance with Metabolix on Feb. 8. The effort had aimed to commercialize a bio-based plastic.

Also last week, Novozymes reported net profit for the full year 2011 of DKK 1.828 million ($318 million). The net profit is a 13% increase, from DKK 1.614 billion ($280 million), in 2010. "The strong growth in net profit was the result of higher EBIT and improved net financials," the company noted.

Lastly, Neste Oil has officially sold 50% equity in an iso-octane production plant in Edmonton, Canada to Canadian-based Keyera Corporation. The iso-octane plant has a total nameplate capacity of 520,000 tons per year and employs 100 people.

Calgary-based Keyera Corp. said in December that it would buy the Alberta EnviroFuels iso-octane manufacturing business from joint owners Chevron Standard Ltd. and Neste Canada Inc.

The status of Keyera's purchase of Chevron's share in the plant was not immediately known.

The purchase price for the iso-octane business was $198 million (U.S.) – subject to closing adjustments – plus working capital estimated at $50 million primarily related to butane and iso-octane inventory, Keyera had said last month.

Weekly Biofuels Stock Performance

Company		Symbol	1/19/11	1/12/11	change	% change
Andersons	↑	ANDE	42.65	42.30	$0.35	0.82%
Archer Daniels Midland	↑	ADM	29.42	29.14	$0.28	0.95%
Aventine Renewable Energy	↓	AVRW	4.32	4.50	-$0.18	-4.17%
Biofuel Energy	↓	BIOF	0.6100	0.6300	-$0.02	-3.28%
Bluefire Ethanol Fuels	↓	BFRE	0.150	0.160	-$0.01	-6.67%
Bunge	↓	BG	58.32	59.52	-$1.20	-2.06%
Cosan	↑	CZZ	12.39	11.75	$0.64	5.17%
FutureFuel	↓	FF	12.16	12.31	-$0.15	-1.23%
Green Earth Technologies	↑	GETG	0.210	0.190	$0.020	9.52%
Green Plains Renewable Energy	↑	GPRE	11.14	10.77	$0.37	3.32%
GreenHunter Energy	↓	GRH	0.970	0.990	-$0.02	-2.06%
GreenShift	↑	GERS	0.1600	0.120	$0.0400	25.00%
Gushan Environmental Energy	↑	GU	1.420	1.270	$0.150	10.56%
Novozymes	↓	NVZMY.PK	28.87	30.44	-$1.57	-5.44%
OriginOil	↑	OOIL.OB	1.850	1.700	$0.15	8.11%
Pacific Ethanol	↑	PEIX	1.150	1.140	$0.010	0.87%
PetroAlgae	↔	PALG.OB	10.25	10.250	$0.00	0.00%
PetroSun	↔	PSUD.PK	0.01000	0.01000	$0.0000	0.00%
Pure Biofuels	↔	PBOF.OB	0.0000	0.0000	$0.000	0.00%
Raven Biofuels International	↓	RVBF.OB	0.0000	0.0100	-$0.010	100.00%
SunOpta	↓	STKL	4.34	4.60	-$0.26	-5.99%
Texcom Resources	↓	TEXC.PK	0.160	0.170	-$0.01	-6.25%
Valero Energy	↑	VLO	23.00	20.94	$2.06	8.96%
Verenium	↓	VRNM	2.29	2.35	-$0.06	-2.62%
DJIA	↑	DJI	12625.19	12471.02	$154.17	1.22%

Inside Washington:

Representative introduces bill to expand part of RFS2

U.S. Rep. Pete Olson (R-Texas) introduced legislation on Tuesday that would allow ethanol that is produced from domestic fossil fuels other than petroleum to satisfy the conventional biofuel requirement as part of the renewable fuels standard (RFS2).

Under RFS2, conventional biofuel is defined as renewable fuel that is derived from corn starch. Olson's bill would broaden that definition so that ethanol derived from natural gas and coal would qualify, among other feedstocks.

H.R. 3773, the Domestic Alternative Fuels Act of 2012, has five co-sponsors: Reps. Joe Pitts (R-Pa.), David McKinley (R-W.V.), Gene Green (D-Texas), Charles A. Gonzalez (D-Texas) and Jim Costa (D-Calif.). It was referred to the House Energy and Commerce Committee.

"It's long past time for Congress to address the failed RFS," said Olson. "The RFS focus on corn ethanol has translated into higher feed costs for livestock producers and higher food costs for working families. While Congress considers eliminating the RFS altogether, we should in the meantime allow greater participation and competition under the program. That will benefit farmers, businesses and consumers," he added.

Groups in support of the bill include the National Pork Producers Council, National Cattlemen's Beef Association, National Chicken Council, National Turkey Federation, America's Natural Gas Alliance and Grocery Manufacturers of America.

The bill aims to amend or re-open the RFS2, something that biofuel supporters have been adamantly against. "Focusing on revamping and repealing the RFS is misguided," said Renewable Fuels Association spokesman Matt Hartwig. "The RFS has been a very successful tool and remains very critical to the development of truly renewable fuel technologies, like advanced and cellulosic ethanol. The goal here should be to expand the nation's use of renewable alternatives to fossil fuels and not to crowd out established, successful, or promising new technologies with more fossil fuels," he said.

"I would also note that they can already play in the RFS2," Hartwig continued, "with no changes needed. If they can demonstrate to EPA that the fuel (whether it's CNG, LNG, ethanol or whatever) was produced using renewable biomass, it can count as renewable fuel and generate RINs," he added.

"This bill undermines the goals of the RFS, which are to reduce our dependence on foreign oil and cut greenhouse gas emissions," said Growth Energy spokeswoman Stephanie Dreyer. "Putting an opening in for all these fossil fuel products will do nothing but perpetuate our addiction to oil – but I guess this is to be expected from an oil state Representative," she added.

Rick Perry, Jon Huntsman drop out of GOP presidential race

Texas Gov. Rick Perry dropped out of the 2012 Republican presidential race on Thursday, endorsing fellow candidate Newt Gingrich, while candidate Jon Huntsman dropped out on Monday, endorsing Mitt Romney.

"I have come to the conclusion that there is not a viable path forward for me in 2012," Perry said during a South Carolina press conference on Thursday morning. "Today I am suspending my campaign and endorsing Newt Gingrich for president of the United States," he added.

Perry placed fifth during the Iowa Caucus, with 10.3% of the vote, and placed last during the New Hampshire primary, with 0.7% of the vote. He dropped out two days before the South Carolina primary.

On the campaign trail, Perry's energy-related comments included a focus on climate change skepticism and his view of the government overreaching on energy policy.

"The science is not settled on this," Perry said on climate change during a Republican presidential debate in September 2011. "The idea that we would put America's economy at jeopardy based on scientific theory that's not settled yet, to me, is nonsense," he said.

In August 2011, Perry told an Iowa audience that he wasn't too keen on government regulations that mandated one energy source over another. "I'd like to see a level playing field for all of the energy producers in this country," Perry said. "We need to be focused on how to create an energy policy in this country that is focused on domestic energy. It's biofuels, it's wind, it's solar, it's nuclear, coal [and] natural gas. ... The bottom line is, we don't need to have government picking winners and losers in this business," he added.

Perry had been less than friendly with biofuels in the past. In April 2008, he appealed to EPA to hold off on the enforcing the corn-based portion of RFS2 for one year, fearing that it would cause a run-up in food prices. However, EPA denied his request several months later and tightened the requirements for future waiver requests.

Earlier in the week, Huntsman dropped out of the race. In June 2011, Huntsman told a New Hampshire crowd that he wouldn't be competing or campaigning in Iowa – home of the nation's first presidential caucus – because he was against ethanol subsidies.

"I don't believe in subsidies that prop up corn, soybeans and ethanol," Huntsman told the crowd, according to several news organizations. "I think they destroy the global marketplace. ... We probably won't be spending a whole lot of time in Iowa," he said at the time.

Meanwhile, Huntsman was previously an executive with family business Huntsman Corp., which produced ethanol's main competitor MTBE. However, as OPIS reported in June 2011, a Huntsman spokesman said there was no link between Huntsman's time at the company and his views on ethanol.

Huntsman placed last in the Iowa Caucus, with 0.6% of the votes, and placed third in the New Hampshire primary.

National Renewable Fuels Averages

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
213.625	243.683	238.032	--.--	273.622	251.734	314.512

Biodiesel B100 Rack w/out RIN	Biodiesel B100 Rack w/RIN	Biodiesel B20 w/ULSD	Biodiesel B20 w/LSD	Biodiesel B5 w/ULSD	Biodiesel B5 w/LSD	Biodelsel B2 w/ULSD	Biodiesel B2 w/LSD
547.471	534.164	326.060	318.000	311.592	--.--	307.718	310.343

Key Renewable Fuels Regional Averages

NORTHEAST

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
221.500	--.--	--.--	--.--	287.911	270.236	334.600

B100 w/out RIN	B100 w/RIN	B20 w/ULSD	B20 w/LSD	B5 w/ULSD	B5 w/LSD	B2 w/ULSD	B2 w/LSD
475.000	511.000	334.081	--.--	321.518	--.--	319.784	--.--

SOUTHEAST

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
221.500	259.500	239.638	--.--	283.854	269.741	328.266

B100 w/out RIN	B100 w/RIN	B20 w/ULSD	B20 w/LSD	B5 w/ULSD	B5 w/LSD	B2 w/ULSD	B2 w/LSD
555.000	575.000	321.394	--.--	314.812	--.--	315.245	--.--

GULF COAST

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
223.500	257.261	235.093	--.--	276.690	245.924	300.394

B100 w/out RIN	B100 w/RIN	B20 w/ULSD	B20 w/LSD	B5 w/ULSD	B5 w/LSD	B2 w/ULSD	B2 w/LSD
541.000	530.600	307.245	--.--	307.229	--.--	307.310	--.--

MIDWEST

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
204.750	234.216	227.071	--.--	269.041	244.039	300.869

B100 w/out RIN	B100 w/RIN	B20 w/ULSD	B20 w/LSD	B5 w/ULSD	B5 w/LSD	B2 w/ULSD	B2 w/LSD
582.454	512.889	320.412	318.000	304.712	--.--	300.210	310.343

ROCKIES

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
223.500	246.972	234.500	--.--	250.268	242.930	304.673

B100 w/out RIN	B100 w/RIN	B20 w/ULSD	B20 w/LSD	B5 w/ULSD	B5 w/LSD	B2 w/ULSD	B2 w/LSD
602.000	--.--	321.683	--.--	306.150	--.--	300.292	--.--

WEST

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
--.--	260.400	400.000	--.--	281.186	291.750	338.166

B100 w/out RIN	B100 w/RIN	B20 w/ULSD	B20 w/LSD	B5 w/ULSD	B5 w/LSD	B2 w/ULSD	B2 w/LSD
524.199	558.175	339.612	--.--	318.032	--.--	307.824	--.--

News of the Week:

Monday, January 16

Ethanol rail cars intact after Illinois train derailment

A train carrying ethanol that derailed late last week in central Illinois spilled no material and was back on its tracks about 10 hours later, a fire official said Monday.

The incident is closed at the local level, according to Gibson City Fire Chief Bruce Kallal, but Norfolk Southern Railroad officials are investigating.

No injuries were reported, he said, but emergency workers evacuated nearby businesses as a precautionary measure.

New York Harbor ethanol assessment at lowest point since 2010

New York Harbor ethanol assessed by OPIS at the end of last week was at its lowest price since late 2010.

The assessment on Thursday and Friday was at a full-day average of $2.21/gal for any-January delivery, down 14cts/gal from Wednesday.

The bearish numbers within the release of the U.S. Agriculture Department's highly anticipated corn forecast Thursday morning immediately sank corn markets, which in turn had ethanol prices shifting sharply lower.

The last time the front-month New York Harbor ethanol assessment had been this low was Dec. 10, 2010, when it was at $2.19/gal, according to OPIS data.

Tuesday, January 17

SG Biofuels completes $17 million financing round

California-based plant science company SG Biofuels, which focuses on the development of jatropha as a low-cost, sustainable source of oil, announced this morning it has completed a $17 million Series B financing.

The financing round was led by Thomas, McNerney & Partners, with participation from Finistere Ventures and current investors Flint Hills Resources LLC and Life Technologies Corporation.

The company said it will use the proceeds to expand research and development, advance commercialization efforts and scale global operations.

Verdezyne granted microorganism patent

California-based Verdezyne, which is developing processes for the production of renewable fuels and chemicals, announced this morning it has been granted a U.S. patent on engineered microorganisms.

Specifically, Verdezyne was awarded U.S. Patent No. 8,093,037, titled "Engineered Microorganisms With Enhanced Fermentation Activity," for the company's engineering of a yeast which incorporates xylose isomerase, a key enzyme in the fermentation of certain pentose sugars to ethanol and other products.

"Verdezyne has identified, engineered and now patented a unique class of xylose isomerases that enable yeast to ferment xylose, the primary pentose sugar in cellulosic feedstocks, to ethanol at high yields under completely anaerobic conditions," said Dr. Stephen Picataggio, chief scientific officer of Verdezyne.

Joule Unlimited closes $70 million round of funding

Massachusetts-based alternative fuel start-up Joule Unlimited announced this morning the closing of a $70 million, third round of funding.

The round included investments from both new and prior undisclosed institutional and private sources that joined Flagship Ventures, Joule's founding venture capital investor.

As the company explained, the proceeds will be applied towards the build-out and operation of a Joule facility in Hobbs, N.M., and slated for commissioning this summer. "The facility is designed to test and optimize Joule's Helioculture process and SolarConverter system at incrementally larger scales, with the potential to expand to 1,000 acres for initial commercial production," the company noted.

Sources don't see immediate impact to loss of biodiesel tax incentive

The U.S. biodiesel industry has gone a little more than two weeks without its $1/gal tax credit, and so far, sources say the impact isn't noticeable. There is "very little" immediate impact, said one biodiesel industry source.

"All I can honestly say is that I haven't heard of any drastic impacts to date," said a second source familiar with the issue.

The $1/gal biodiesel tax credit expired at the end of 2011, although the National Biodiesel Board is aiming for its inclusion in an overall tax extenders package during the early part of this year.

Biodiesel industry leader expects CARB to win appeal on LCFS ruling

San Francisco – One key leader of California's biodiesel industry expects that the California Air Resources Board (CARB) will win a court appeal on the constitutionality of the state's Low Carbon Fuel Standard.

In late 2011, a U.S. district court ruled that California's Low Carbon Fuel Standard was invalid in that it violated the U.S. Constitution's commerce clause. The court issued an injunction prohibiting the state from enforcing the regs.

On Jan. 5, CARB filed a notice of appeal to the ruling.

On Monday, at the California Biodiesel and Renewable Fuels Conference, Eric Bowen, chairman of the California Biodiesel Alliance, predicted that "CARB will win this battle."

Biodiesel industry leader says self-policing needed to reduce RIN fraud

San Francisco – The alternative fuels industry needs to take the lead in policing itself against Renewable Identification Number (RIN) fraud, said a key biodiesel industry leader.

Eric Bowen, chairman of the California Biodiesel Alliance, said the biodiesel industry "needs to solve the problem of ensuring that RINs are valid."

RINs are a tool used in the administration of the Renewable Fuel Standard. They are a tradable currency, used by obligated parties and exporters to show compliance with the regs, as well as to track renewable fuel volumes.

Wednesday, January 18

Virent taps former Nalco exec to join board of directors

Advanced biofuel developer Virent Energy Systems announced this morning that Bradley Bell has joined its board of directors.

As part of his board responsibilities, Bell will chair Virent's Audit Committee and serve as a member of the Compensation Committee.

"I am delighted to welcome Brad to the Virent Board of Directors," said Virent CEO Lee Edwards. "His depth of executive leadership experience in chemicals, finance and manufacturing is a great fit for Virent's future plans. Brad has a strong track record of success in public and private companies, which strengthens Virent's independent governance capabilities as we progress plans for commercialization," he added.

USDA launches new energy website

The USDA has launched a website that will provide fast and efficient access to its energy efficiency and renewable energy data, Agriculture Secretary Tom Vilsack said today.

"Improving and modernizing access to USDA energy data and resources is essential in today's highly competitive rural business environment," said Vilsack. "Farmers, ranchers and small businesses across the country will benefit from easier navigation and retrieval of energy and renewable energy investments data and funding opportunities."

The website provides access to all USDA energy resources, including agricultural, forestry and economic data, he said.

California seen as biodiesel production underachiever

San Francisco – The state is the ninth largest economy in the world; in 2009 it consumed 3.2 billion gallons of diesel fuel; and it is a leader in the development of clean air regulations. Ironically when it comes to biodiesel production, the state of California is clearly an underachiever, say some biodiesel industry leaders.

California currently has the capability to produce 80 million gallons of biodiesel per year, but current production rates are only 10 million gallons, said Jim McKinney, manager of the Emerging Fuels and Technologies Office of the California Energy Commission. He was participating in a panel discussion at the California Biodiesel and Renewable Diesel Conference here Monday.

And the market for biodiesel is expected to grow substantially. Eric Bowen, chairman of the California Biodiesel Alliance, predicts that the annual market for biodiesel will reach 1 billion gallons in the state by 2015 at the earliest and 2020 at the latest. He said the biodiesel industry needs to increase its investment in infrastructure to handle the green fuel.

"California is massively underweight on biodiesel compared to diesel use," Bowen said.

Thursday, January 19

Biodiesel producer REG raises $72 million in IPO, below target

Biodiesel producer and marketer Renewable Energy Group (REG) raised $72 million in its initial public offering (IPO), the company announced late Wednesday, pricing the shares at $10, below its targeted $13-$15/share. This was the first IPO of 2012.

The company sold 7.2 million shares of its common stock at a price of $10/share. "Of the shares of common stock in the offering, REG is offering 6,857,140 shares and selling stockholders are offering 342,860 shares," the company explained. "In addition, REG has granted the underwriters a 30-day option to purchase up to 1,080,000 additional shares of common stock to cover over-allotments, if any," the company noted.

Former Qteros exec finds new home at Myriant Technologies

Massachusetts-based Myriant Technologies recently hired former Qteros spokeswoman Susan Hager to be the company's senior vice president of Corporate Communications and Government Affairs.

According to Myriant's press release, Hager will lead the company's strategic communications efforts and government-related activities, and will report directly to Myriant Chairman and CEO Stephen Gatto.

"Susan has a superior reputation in the industrial biotechnology industry for developing and executing highly strategic, results-driven communications programs that advance business objectives," said Gatto. "Susan brings the right combination of energy, creativity and entrepreneurial drive that makes her an ideal addition to Myriant's leadership team," he added.

Novozymes reports DKK 1.8 billion net profit

Biofuel enzyme producer Novozymes reported net profit for the full year 2011 of DKK 1.828 million ($318 million), the company announced earlier today.

The net profit is a 13% increase, from DKK 1.614 billion ($280 million), in 2010. "The strong growth in net profit was the result of higher EBIT and improved net financials," the company noted.

"I'm delighted to report that we delivered on our full-year growth expectations despite the uncertainty about the global economic situation," said Novozymes CEO Steen Riisgaard.

"The uncertainty is expected to continue in 2012 and, although the characteristics of our products, the many different industries we serve, and the way the business operates have made Novozymes'

sales and earnings fairly resilient in previous economic downturns, we currently see scenarios at both the high and low end of the guidance," he noted.

ZeaChem joins Advanced Ethanol Council

Cellulosic ethanol developer ZeaChem is the latest member of the Advanced Ethanol Council (AEC), the group announced this morning.

"ZeaChem is pleased to join the Advanced Ethanol Council, which has quickly and effectively established itself as a leading voice for the advanced ethanol industry," said ZeaChem President and CEO Jim Imbler. "Our priorities are similarly aligned to accelerate the construction of commercial production facilities, support the production of cellulosic ethanol and promote the positive benefits of sustainable and economical advanced biofuels," he added.

Deadline extension eyed in sale of Texas ethanol plant

The deadline for the sale of a shuttered 40-million gal/yr ethanol production plant in Texas could be extended as owners and creditors continue to seek a deal that could lead to the plant being back on line early this year.

"The deadline may be extended due to additional interest," according to one source close to the matter, adding that there is no agreement on specific dates for any extension.

Investment banking firm Houlihan Lokey Capital was soliciting potential offers for the plant, and had until Jan. 13 to obtain a letter of intent from one or more potential buyers.

In Key Commodity Markets:

In finished markets...

With gasoline demand sinking to multi-year lows in recent weeks, it is difficult for anyone to turn their concern to possibly supply issues.

However, news of another refinery closure over the last week helped put some legs under NYMEX gasoline markets despite some very paltry demand figures coming out of the U.S. Energy Department. Merc RBOB futures jumped nearly 5.5cts on the news at midweek, though by Thursday prices for the February contract eased 96 points, settling at $2.8158/gal, which was up 8.45cts week-to-week.

Hovensa announced it would mothball its St. Croix refinery in the Virgin Islands sometime in mid-February. The plant sends a good deal of its RBOB output to the eastern U.S. The shutdown, along with recent shutdowns of Philadelphia-area plants could make for tighter spring fuel supply on the East Coast.

How much impact will be felt from the Hovensa move is up for discussion, but some analysts noted that Citgo, partner with Hess in the Hovensa plant, said it would arrange supply from alternative sources. But it is more cumulative effect from recent closures that had some market watchers concerned.

The build in East Coast stockpiles over the last couple weeks helped dampen some of the impact, so that perhaps the loss of refining capacity in the region has not yet being missed. Still, a move higher for 2nd quarter RBOB futures on Thursday perhaps revealed that players were concerned about tight markets on the East Coast for the April-June timeframe.

The same could not be said nationally, with DOE reporting gasoline implied from weekly figures sagged south of 8 million b/d and nearly 8.8% behind what it reported the same week last year.

Very sluggish demand, even by winter season standards, along with gasoline production that remained steady led to a 3.7-million-bbl build in nationwide supply, at $2.275 million bbl just slightly lower that year-ago stocks.

Over the last three months, U.S. gasoline inventory expanded by 23 million bbl.

Amid healthy winter supply, gasoline prices were strewn all about the place. By Thursday, spot CBOB in Chicago traded a 33cts discount versus the Merc, for an outright price at just a hair under $2.486/gal. Gulf Coast unleaded moved just 2cts below the Merc, at $2.7958/gal, while New York Harbor RBOB spots commanded $2.81-plus/gal at just a quarter-cent south of the Merc benchmark. Los Angeles gasoline blendstock traded a dime over the Merc, moving over $2.915/gal.

Some of the explanation comes from areas where excess domestic crude and high refinery runs depressed values, such as the Midwest and Rockies. More expensive crude and the noted refinery shutdowns may have had a hand in elevating prices in New York and on the West Coast.

In the West Coast, as well, the spot gasoline market is closing in on the springtime transition to low-RVP gasoline in Los Angeles that will become a factor over the next couple weeks. February CARBOB (low-RVP) by midweek ran nearly a dime more than spot trading for January CARBOB (which represented the high-RVP material).

In natural gas...

Mild weather over most of the last week in key swaths of the country helped ensure weak gas markets would get weaker, especially after the U.S. government reported a smaller draw on stocks than many expected.

Henry Hub cash gas trading that dropped 13cts Thursday to $2.36/mmbtu was down 34cts over the last seven days. Chicago Citygate gas, trading around $2.57/mmbtu lost 12cts on the day, falling 30cts below its week-ago price.

Heavy losses in Thursday's paper market indicated spots would continue to see pressure into the weekend, noted market sources that saw little ground for any turnaround amid lack of winter weather and heavy supply.

"These are decade lows," commented one market source referring to natural gas values in general. More specifically he pointed out that gas futures lately traded below support its support price from September 2009.

"Both [natural gas] supply and consumption increased this week," noted DOE in midweek report. "Natural gas production remains flat, according to estimates from BENTEK, yet remains well above year-ago levels." The agency pointed to some weather-related increases for the week, led by consumer and business heating needs, the agency also said it "it still remains below average levels for the week."

Residential and commercial natural gas consumption averaged 46.8 bcf/day over the last week, but that was less than the five-year average for this time of year at 49.5 bcf/day, according to DOE.

However, NYMEX natural gas futures continued to sink to new lows in the wake of a disappointing gas withdrawal from storage for the week. The February front-month Merc contract settling Thursday at $2.322/mmbtu dropped 15cts on the day and plunged well below what some in the market called long-term support at the $2.409/mmbtu price from September 2009. It was also the lowest settle front-month price since February 2002.

DOE reported U.S. gas stocks dropped 87 bcf the previous week, well under the triple-digit draws that normally common around this time of year. For example, a year ago the agency reported a draw of 228 bcf. Total supply estimated at 3,290 bcf still ran 19.6% ahead of same-time-last-year stocks and nearly 21% ahead of the five-year supply average.

"In all three regions, the net withdrawals for the week were significantly lower that the five-year average," added

DOE. "The implied net withdrawal of 15 bcf in the Producing region was 70% lower than the five-year average."

More analysts pulled back on their natural gas price forecasts for 2012 last week, while the six month Merc strip also reflected diminished expectations for gas values. The strip averaged $2.5035/mmbtu by Thursday, down more than 35.03cts for the week but running 14.35cts over Henry Hub cash price.

In corn...

Corn markets made a late comeback from its sub-$6 sojourn at midweek, with CBOT corn for March up 12.25cts Thursday at $6.06/mmbtu, which still left it off 5.5cts week-to-week. That small week-to-week change masked some of the volatility that has lately hit corn markets. May corn, up 11.75cts Thursday at $6.12/bu, settled 6.25cts lower versus a week ago.

By late in the week, it was improving indications for U.S. corn exports that helped firm up corn values. Slipping in the U.S. dollar as well as weekly USDA export figures rising over previous weeks and considered stronger than many expected also offered support.

Considerable attention was focused on South American corn crops that were in a key growth stage and in need of moisture. By late in the week, Argentine crops got some much-needed precipitation, but it was not enough to take the crop "out of the woods" and forecasts into next month were unclear as to whether there would be sufficient rain to boost the crop.

Late the previous week, the Argentine Rosario futures exchange slashed the nation's corn output forecast, noting that it did not anticipate much recovery to yield prospects because of previously drought damaged corn.

Argentina, the world's No. 5 corn producer, is generally the second biggest corn exporter after the United States.

Meantime, Kansas City No. 2 truck yellow spot corn bids dropped 6-7cts over the week, with a range of $6.18-$6.21/bu. At the same time, Chicago No. 2 yellow corn bids at $5.86-$6.15/bu eased 2.5-5.5cts week-to-week.

In biodiesel...

In its first full day of trading, biodiesel producer and marketer Renewable Energy Group (REG) had its shares gain slightly from the opening price. The Thursday closing price gained 1% on the day, to $10.10.

REG raised $72 million in its initial public offering (IPO), pricing the shares at $10, below its targeted $13-$15/share. This was the first IPO of 2012.

REG shares, under the symbol "REGI," are being traded on the Nasdaq Global Market.

The company had anticipated net proceeds of approximately $86.5 million, assuming a $14/share midpoint.

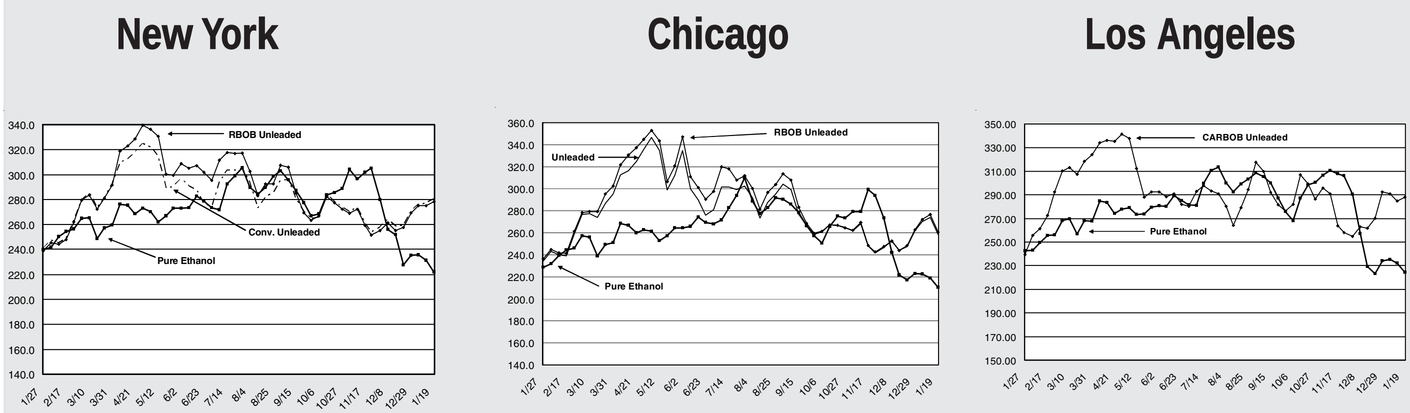
In a recent Securities and Exchange Commission filing, REG said it planned to use some of the IPO's net proceeds to acquire its 60-million gal/yr biodiesel plant in Seneca, Ill., which it currently leases.

"The remainder of the net proceeds is expected to be used for working capital, capital expenditures related to improvements of production processes and logistics, and investments, including potential acquisitions, joint ventures and other collaborative arrangements, in new biofuel businesses, production technologies or other assets and in opportunities to extend our biorefinery platform to the production of renewable chemicals and feedstocks," the company noted.

As of Sept. 30, 2011, the company owned biodiesel production facilities with a total of 212 million gal/yr of nameplate production capacity, which includes the Seneca plant.

Meantime, average B100 rack prices dropped 7.9cts week-to-week, with the nationwide price at $5.408/gal Thursday. At the same time, on-road petroleum diesel nationwide dropped

Ethanol vs. Spot Unl. and "BOBS" in Key Markets



Note: OPIS Refined Spots and Ethanol averages are based on full-day prompt assessments for each market.

7.98cts week-to-week, at $3.038/gal. That put biodiesel at a $2.37/gal premium over petroleum diesel at the rack.

At the same time, biodiesel renewable identification credit number for vintage 2012 trading up to $1.50 by late in the week, while down some 4cts on the week it still indicated a gallon of biodiesel would carry up to $2.25 in RIN credit value.

There was considerable talk about "bad RINs" running through the rumor mill over the last week, with unconfirmed talk of more enforcement actions. However, an alphabet soup of government agencies denied any "raids" at hand or in the offing. Market sources confirmed that given some past problems with possibly fraudulent biodiesel RINs, those that can be verified or coming from long-time, trustworthy sources may command a premium.

The U.S. EPA recently told RIN buyers and ultimately obligated parties under its renewable fuel standard regulations that they may well be on the hook for any bad RINs, for the time being promoting a policy of "buyer beware."

In dried distillers grains...

Distiller dried grains with solubles are expected to show a significant drop off in exported volumes in 2011, according to the ethanol industry's Renewable Fuels Association.

Exports of DDGs over the last year, predicted to reach 7.72 million metric tons, would be down some 14% from 2010 exports that reached an estimated 9.03 metric tons, reported Geoff Cooper, RFA's vice president of research and analysis.

DDG exports hit an all-time high in 2010, and 2011 exports, though down from the previous year's record, would still represent 37% gain over 2009 DDG exports that amounted to the 5.65 million metric tons.

Meantime, Eastern Corn Belt DDG values ran $185-$200 by later in the week, taking about $10 from the top end from the previous week. Minnesota values, running $175-$180 slipped lower, by around $5, at the same time. Nebraska at $195-$210 also had significant value coming of the high end of pricing, but Kansas DDGs held steady week-to-week at $230-$245.

For delivered DDG prices out west, California DDGs dropped $228-$240, while Pacific Northwest ran $228-$244 late in the week.

All in all, on the week FOB plant prices were quoted $5-$8 cheaper than the previous week, with delivered prices talked as much as $12 lower over the week.

In natural gasoline...

The Edmonton spot natural gasoline market remains costly compared to key U.S. regions.

That's because this time of the year sees more demand for natural gasoline as diluent. Bitumen producers need C5 to help material flow through pipelines.

At presstime, Edmonton natural gasoline prices were $2.58226/gal, on average, for any January timing. Values have actually fallen back from highs over $2.63/gal around the beginning of the year.

U.S. spot prices lagged lower than Edmonton, exhibiting a clear path for barrels to flow up to Canada.

Mt. Belvieu TET prices were $2.43875/gal, on average, at presstime. Prices in Mt. Belvieu were over 14.35cts/gal cheaper than those in Edmonton. Like Canadian markets, prices have retreated from highs over $2.47/gal earlier this year, but they still have been considered firmly valued.

In addition to the Canadian arb, traders and brokers have reported that recent Mt Belvieu interest has been driven by naphtha hedging on the part of petrochemical firms.

Conway in-well quotes at presstime ran $2.1275/gal, or almost 45.50cts/gal weaker than Edmonton. Prices are bolder than the $2.03/gal levels that started the year and this week saw a pop to $2.16/gal, which reflected the high so far for January anys in 2012.

In ultra-low-sulfur diesel...

One of the more volatile markets of late has been the Chicago markets, particularly ultra-low-sulfur-diesel, as huge swings in differentials were seen into the latter part of the week.

On Thursday morning, prompt ULSD spot discounts reached 44cts under the heating oil futures market. That was largely the result of a major refiner jumping in as an aggressive seller, sources said. But by the afternoon, a double digit swing was seen for ULSD as players were looking to pick up material "on the cheap." By the afternoon, spot ULSD discounts in the Windy City settled back toward 30cts under the futures market. The move helped push outright prices back toward the $2.75/gal level.

In contrast, ULSD in the Gulf Coast traded 2.35cts under the Merc benchmark, putting the outright price at $3.0125/gal, up 1.71cts from the day before and down 2.21cts week-to-week.

DOE numbers for last week indicated overall diesel demand bounced back from a dip, to 3.635 million b/d. That rebound put total demand just about back on par with where it stood a year ago, though the more-relied upon four-week average was still down 4.4% year-on-year.

That rebound may well be chalked up to some colder winter weather in some areas, highlighted by a big 2 million bbl draw in higher sulfur material.

Perhaps lost in the overall figures was the 3.441 million bbl build in ULSD stocks. ULSD stocks have swelled 16.3 million bbl over the last month, with about 9.25 million bbl of that coming in the last two weeks. And even with that fat addition, at nearly 106.14 million bbl, nationwide ULSD stocks remained 3.2% behind the same time last year.

That year-on-year lag in ULSD supply was also supported by weekly industry data, with API figures putting ULSD stocks up 1.695 million bbl week-to-week, but still down 4.9% from the same time last year.

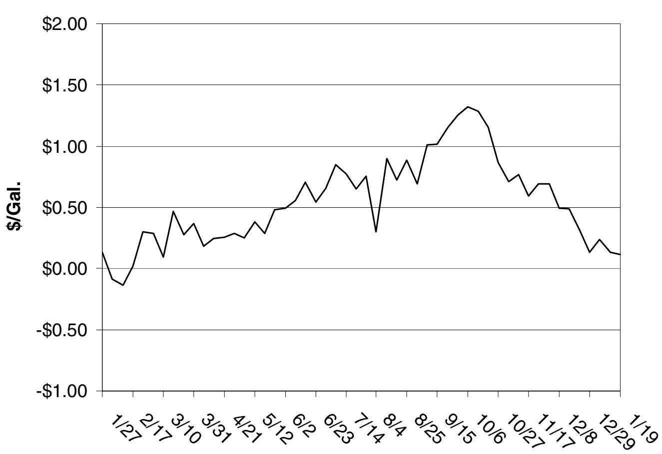
National Renewable Fuel Feedstock/Co-Product Price Index

Feedstock/Co-product	Location/Source	Spot Price	Previous	4-Wk Avg.
Palm Olein	US Gulf Coast	$0.5288/lb	$0.5350	$0.5372
Soybean Oil - Crude De-gummed	Central Illinois	$0.5327/lb	$0.5400	$0.5392
Soybean Oil - Crude De-gummed	Central Illinois - USDA	$0.5043/lb	$0.5096	$0.5102
Soybean Oil - RBD*	Central Illinois - USDA	$0.5777/lb	$0.5850	$0.5829
Canola Oil	West Coast	$0.5927/lb	$0.6100	$0.6054
Canola Oil	Midwest	$0.5727/lb	$0.5900	$0.5854
Corn Oil - Crude	Midwest	$0.5150/lb	$0.5125	$0.5144
Beef Tallow	Chicago	$0.4525/lb	$0.4525	$0.4600
Choice White Grease	Chicago	$0.4000/lb	$0.4100	$0.4100
Poultry Fat (Low FFA)**	Southeastern US	$0.4350/lb	$0.4350	$0.4313
Yellow Grease	Illinois	$0.3500/lb	$0.3500	$0.3550
Methanol	US Gulf Coast	$1.130/gal	$1.134	$1.141
Soy Meal (Hi-Pro)***	Illinois Truck	$304.50/ton	$312.00	$307.95
Corn	Central Illinois	$5.9450/bu	$6.4250	$6.2925
Soybeans	Central Illinois	$11.6250/bu	$12.0600	$11.8600
Crude Glycerin (80%)	FOB Midwest	$0.0750/lb	$0.0750	$0.0750
DDG-S (Dried Distillers Grains W/ Solubles)	Eastern Cornbelt - USDA	$192.5000/ton	$195.0000	$191.8750
WDG (Wet Distillers Grains)	Eastern Cornbelt - USDA	$69.0000/ton	$69.0000	$68.5000
Corn	Kansas City - USDA	$6.1950/bu	$6.2600	$6.4025
ULSD	OPIS National Average	$3.010/gal	$3.042	$3.003
Low Sulfur Diesel	OPIS National Average	$3.009/gal	$3.047	$3.003
RBOB	OPIS National Average	$2.777/gal	$2.725	$2.730
Ethanol	OPIS National Average	$2.190/gal	$2.204	$2.245
Unleaded RFG	OPIS National Average	$2.759/gal	$2.705	$2.714
Natural Gasoline	Mt. Belvieu Non-TET	$2.344/gal	$2.339	$2.328
Natural Gasoline	Conway In-well	$2.128/gal	$2.119	$2.070
Ethanol RINs (Current Year)	OPIS National Average	$0.0193/gal	$0.0195	$0.0154
Ethanol RINs (Previous Year)	OPIS National Average	$0.0033/gal	$0.0030	$0.0026
Celllosic RINs (Current Year)	OPIS National Average	$0.7800/gal	$0.7800	$0.8675
Celllosic RINs (Previous Year)	OPIS National Average	$1.1300/gal	$1.1300	$1.0100
Biodiesel RINs (Current Year)	OPIS National Average	$1.4800/gal	$1.5400	$1.4575
Biodiesel RINs (Previous Year)	OPIS National Average	$1.3750/gal	$1.3300	$1.3200
Advanced Biofuel RINs (Current Year)	OPIS National Average	$0.8100/gal	$0.7850	$0.7875

*refined, bleached, deodorized **free fatty acids ***high protein

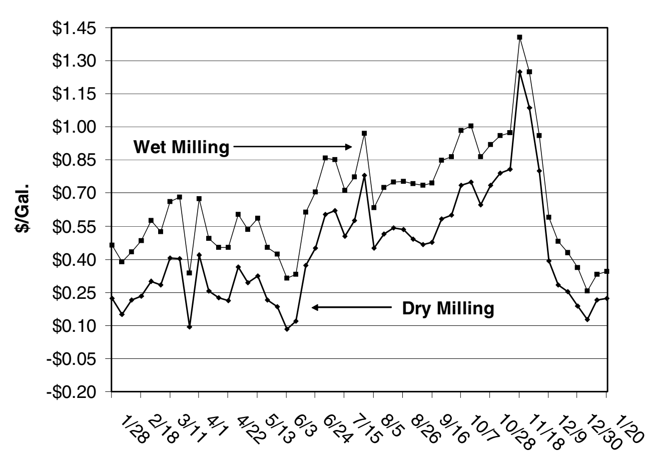
Data provided, in part, by World Energy, www.worldenergy.net; Jim Jordan & Associates, www.jordan-associates.com

Biodiesel Plant Profitability
Gross margins for Midwestern Plants



*Biodiesel production margin calculated from cash feedstock costs and sales values for soy methyl ester biodiesel plants and are estimates of industry trends under current market conditions. Profits for any given biodiesel plant could be higher or lower.

Ethanol Plant Profitability
Gross margins for Midwestern Plants



*Dry Milling margin calculated from cash feedstock and product sales values for wet and dry-mill plants and are an estimate of the industry trend under current market conditions. Profits for any given ethanol plant could be higher or lower.

European, Brazilian and CBI Markets:

	RME	FAME	Ethanol T1	Ethanol T2 $/euro
Rotterdam	$4.34	$4.04	$2.50	2.48/1.92

Prices in U.S. $/gal., 1/19/12 Data provided, in part, by Starsupply Renewables, www.starsupply.ch and SCB & Associates, www.starcb.com

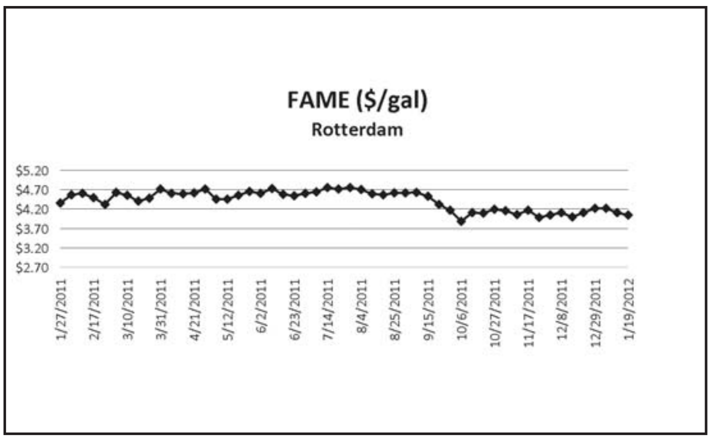
European markets

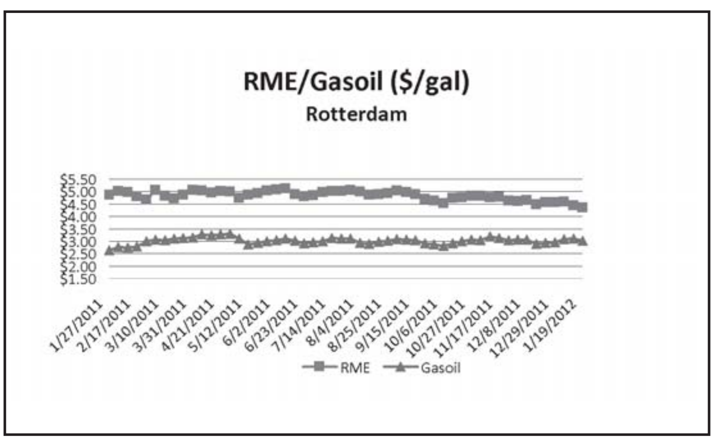
The price of UN-backed carbon offsets hit a record low of 3.32 euros/ton this week, according to SCB Renewables, as fears over the eurozone crisis along with concerns about the long-term validity of some certified emission reduction (CER) credits prompted a sell off.

Furthermore, the EU is considering a ban on all CERs issued from HFC 23 emission reduction projects as of March 2013, as reported by Businessgreen.com, over suspicions that projects intended to reduce emissions have been "gamed" by participants and are generating excessive revenues from the sale of credits.

In a newly-formed partnership, UK-based industrial biotechnology company Green Biologics (GBL) reported last week it has merged with U.S.-based renewable chemicals and biofuels company Butylfuel.

The new company will operate under the name Green Biologics and continue to be headquartered in Abingdon, U.K.





The effective date for the equity merger was Jan. 1 of this year.

The merged company will be "focused on the production of C4 chemicals and advanced fuels from renewable feedstocks, primarily from waste and byproduct agricultural sources, according to GBL. The company has an extensive portfolio of proprietary and engineered Clostridia strains used as biocatalysts to process a wide range of starch, sugar and cellulosic feedstocks. In China, GBL has three projects underway on molasses and corn by-product feedstocks. In India and Brazil, GBL's focus is molasses, cane and bagasse. In North America, the focus is on both starch-based and cellulosic feedstocks."

"This merger creates a truly global leader in biobutanol and represents a transformational deal for both companies," said Sean Sutcliffe, CEO of the combined GBL group. "We are combining GBL's acknowledged technology leadership and commercialization expertise in China, India and Brazil with the scale up, operational process experience and North American business building capabilities of Butylfuel," he added.

"This is a near perfect fit of a remarkable industrial biotechnology company in GBL, with an experienced bioprocessing and commercial scale-up company in Butylfuel Inc," said Joel Stone, president of North America and global vice president of Engineering. "The synergies of GBL's microbiological and fermentation capabilities and global presence combined with our commercial and operational skills in building and operating large scale fermentation facilities in North America creates a compelling business model, in particular for the commercialization of biobutanol in North America," he added.

GBL's North American office is in Columbus, Ohio, where it maintains a pilot facility.

In French biofuels, Saipol, the parent of biodiesel major Diester Industries expects only 33% of the biodiesel made from used cooking oil and animal fat that it imported in 2010 will be required for 2012 thanks to the introduction of double counting legislation introduced in 2010.

Finally, in market activity, RME fob ARA was bid and offered in the $1,280 - $1,310/metric ton range at presstime, according to SCB Renewables. SME was $1,200 - $1,230 while PME was $1,100-$1,150, and FAME 0 was $1,190-$1,220/mt, said the trade group.

Brazilian and CBI markets

Anhydrous Ethanol 2.76-2.80 Hydrous Ethanol 2.64-2.66
(FOB Santos, 1/19/12, prices in U.S. $/gal.)

Brazilian ethanol prices at this time of the year historically have been in backwardation. With Brazil's sugarcane inter-harvest period running roughly from December through April, ethanol prices typically are strong at the start of the calendar year before tapering as ethanol production picks up in April and May.

However, Brazilian anhydrous ethanol prices at the moment are in uncharacteristic contango, with prices through April notionally weaker than prices in May and beyond.

This development is being attributed to the availability of U.S. ethanol export volumes. This has eased the tightness of first-quarter ethanol supply, which in the past came almost entirely from Brazilian ethanol inventories that had been built up from May through December of the prior year.

As reported by OPIS earlier this month, Brazil's ethanol imports from the United States hit an all-time monthly record in December 2011, totaling 279,711,529 liters (73.89 million gallons), according to Brazil's Secretary of Foreign Commerce.

As for the contango: Trading sources report that offer levels on anhydrous ethanol fob the Brazilian port of Santos are at $740/cubic meter for the months of February through April. But for the months of May through November, offers are currently flat at $750/m3.

Brazil's anhydrous ethanol inventories declined at a slower pace in second-half December than during the first half of the month, figures from Brazil's Ministry of Agriculture show.

However, the rate of decline in hydrous ethanol inventories was roughly the same in both first-half and second-half December.

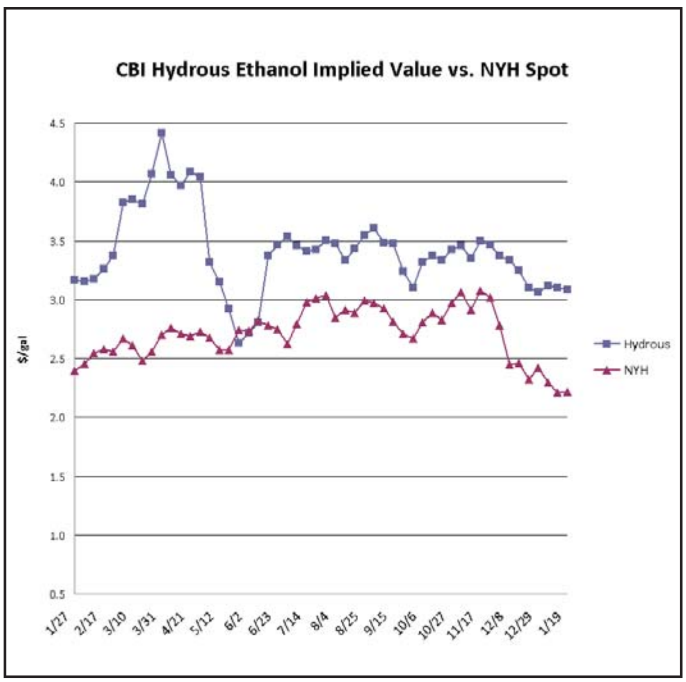
Brazil-wide anhydrous inventories at end-December stood at 3.027 billion liters, representing a 3.4% drop from 3.133 billion liters at mid-December. Anhydrous inventories during the first half of December had slipped by 6.7%.

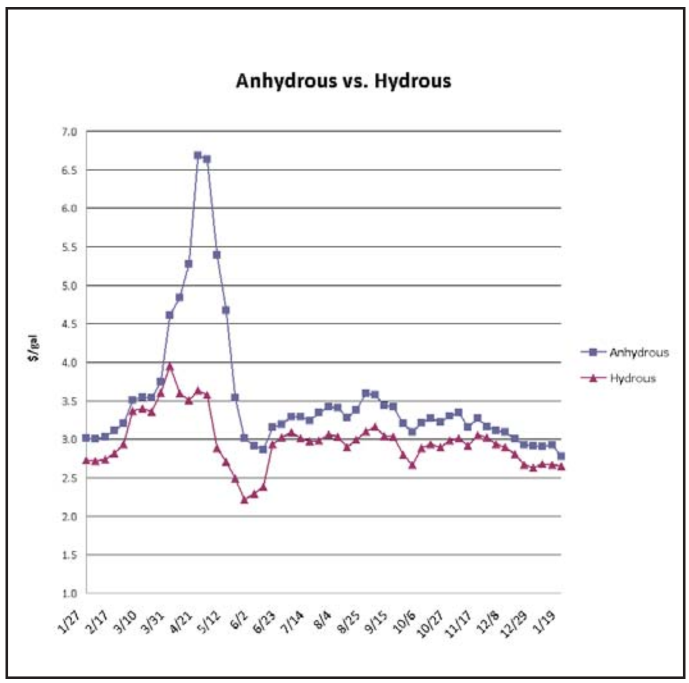
Brazil-wide hydrous inventories at end-December were pegged at 3.247 billion liters, representing an 8.9% drop from 3.564 billion liters at mid-December. Hydrous inventories during first-half December fell by 8.6%.

At end-December, anhydrous inventories were up by 27.9% and hydrous inventories were down by 14.8% versus end-December 2010.

The year-on-year drop in hydrous inventories would be of greater concern if not for the fact that year-on-year demand for hydrous ethanol (sold neat at the pump) is down as well. Brazil's National Oil, Gas and Biofuels Agency (ANP) shows distributors' hydrous ethanol sales down by 28.5% for January-through-November 2011 versus the same period in 2010.

Anhydrous ethanol gets blended into gasoline, and the year-on-year increase in anhydrous inventories is a welcome development in the face of distributor gasoline sales that, for January-November 2011, were 18.7% higher than sales during the same period in 2010.





OPIS
OIL PRICE INFORMATION SERVICE
www.opisnet.com

OPIS Ethanol & Biodiesel Information Service is published weekly by Oil Price Information Service, the nation's leading supplier of pricing, news and analysis for the downstream refining and marketing sector. Circulation Office/Customer Service: 301-287-2525, Pricing Services Group, Editorial Group, Production Group: 800-275-0950 Fax: 800-927-3745. Ethanol pricing inquiries, contact Spencer Kelly, 301-287-2731. Biodiesel inquiries, contact Sharon Fielding-Schneider, 732-730-2537. STAFF: Ben Brockwell, Brad Addington, Brian Crotty, Denton Cinquegrana, Diane T. Miller, Donna Calabria, Jessica Nesterak, Mary Welge, Michael Kelly, Rachel Gantz, Renee Ortner, Robert Gough, Spencer Kelly, Brit Galloway, Tom Kloza, Edgar Ang, Beth Heinsohn. Postmaster: Send address changes to OPIS, Two Washingtonian Center, 9737 Washingtonian Blvd., Ste. 100, Gaithersburg, MD 20878-7364.