

Ethanol Saves Iowa Drivers 12 Cents per Gallon

April 28 – Blending ethanol into gasoline is saving local drivers at least \$0.12 per gallon, according to an analysis of current gasoline and ethanol pricing. Based upon market-closing prices on April 27, 2011, ethanol was selling for \$0.81 a gallon less than its gasoline counterpart. With the majority of gasoline containing 10 percent ethanol (E10) by volume, drivers are seeing prices at the pump 8 cents less than they otherwise would be. Together with current renewable fuels policy providing a 4.5 cent per gallon tax credit for gasoline makers on E10 blends, drivers are saving more than 12 cents on every gallon of E10 they buy.

Here in Iowa that means gasoline prices would be at least 12 cents per gallon higher.

“Domestic ethanol is the only alternative to gasoline available today that is putting any downward pressure on the ever-increasing prices at the pump,” “At nearly 10 percent of the nation’s gasoline supply, ethanol is also putting downward pressure on oil prices resulting in additional savings of up to 60 cents per gallon of gasoline by some academic estimates. Addressing America’s energy problems require short, medium and long strategies. Domestic ethanol production can and must be integral to each.”

Nationally, AAA is reporting an average gasoline price of \$3.88. Based upon current market dynamics, Americans would be paying \$4.00 or more on average. This 12-cent differential is no small amount. It’s an annual savings of more than \$100 for the average American household, which consumes about 900 gallons of gasoline yearly.

Interestingly, if E15 (15 percent ethanol) blends were widely available today, drivers of the approved vehicles would see E15 priced 19 cents per gallon less than regular unleaded. The U.S. Environmental Protection Agency approved the use of E15 for cars, pickups and SUVs from model year 2001 and newer early this year, but final regulations have yet to be set allowing for the sale of E15 blends across the country.

It is important to recognize that these figures are based only on the current price spread and tax credit. Ethanol also impacts gasoline prices in the aggregate by substantially adding to the fuel supply. This effect grows as the supply of ethanol increases. Several economists have estimated that the ability of ethanol to extend fuel supplies, coupled with ethanol’s relative discount to gasoline, means gasoline is 40-60 cents/gallon less than it would be without ethanol. The impact may be even larger than that in cases where oil prices are extremely high, as is the case today.