

Triangle Business Journal - March 17, 2008

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TRIANGLE BUSINESS JOURNAL

Friday, March 14, 2008

Ethanol expected to flow in North Carolina

Triangle Business Journal - by [Frank Vinluan](#)

RALEIGH - The gas in your car right now probably contains little, if any, ethanol. But that could soon change. Ethanol is now cheaper than gasoline, and retailers looking to shave a few cents per gallon want to blend more of it into the mix.

The **North Carolina Gasoline and Oil Inspection Board** is working on changes to state fuel specifications that should give retailers the assurance they need to bring more ethanol into the state's fuel mix before the start of the summer driving season.

"I've got people chomping at the bit for the (ethanol) blend," says Stephen Benjamin, director of the standards division of the state's **Department of Agriculture and Consumer Services**.

The board approved a temporary rule regarding ethanol specifications in February in an emergency action that can be taken when the fuel supply is affected. Gary Harris, executive director of the North Carolina Petroleum & Convenience Marketers Association, says that when gasoline and ethanol that separately meet state specifications are blended together, there is a small chance the resulting fuel might not meet specifications.

Fuel companies pushed for the emergency rule out of concern that the standard rule-making process would carry well into summer. The industry wants to change the rule to allow variances from current specifications for blends including up to 10 percent ethanol.

The temporary rule goes into effect March 14. The five-member Gasoline and Oil Inspection Board will hold a public hearing March 18 to discuss a permanent rule change. Benjamin calls the new rule a "technical change," but he says it should make retailers more confident that their blends will pass muster. Benjamin says drivers should notice no difference. Modern cars can run on a fuel blend comprising up to 10 percent ethanol and 90 percent gasoline.

Anne Tazewell, the alternative fuels program manager at North Carolina State University's Solar Center, says the pursuit of ethanol blending is driven by economics, which now favor using more of the lower-priced ethanol.

"They do it when it makes sense, and they don't do it when it doesn't make sense," she says.

The **Pantry**, a Sanford-based operator of gas stations and convenience stores throughout the Southeast, sees opportunity in selling more ethanol-blended fuel. The Pantry notes in its last quarterly filing that competitors in some markets are selling the lower-priced ethanol blends. The



Steve Wilson

State inspector Becky Coleman checks gasoline octane levels at a station on Raleigh's Capital Boulevard.

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Pantry introduced blended ethanol in some stations at the start of its fiscal 2008, which began in October.

"Everybody is trying to figure out a way to sell cheaper gas," Harris says. "Ethanol with a price advantage is just about the only way."

Tazewell says ethanol use is also driven by other factors. The federal Energy Independence and Security Act of 2007 sets a renewable fuel standard that will require fuel companies to use at least 36 billion gallons of biofuel by 2022.

Ethanol blending also carries a tax incentive. Blends that are 85 percent ethanol and 15 percent gasoline qualify for a 51-cent-tax credit per gallon. A 10 percent ethanol blend qualifies for a 5-cent-tax credit per gallon. The credit goes to the blender.

CleanFuel USA, a Georgetown, Texas-based ethanol distributor, brings ethanol into North Carolina from the Midwest by truck or rail. It blends the fuel at its terminals here.

Steve Walk, the company's director of project development, says CleanFuel passes the blending credit on to the retailers in the form of a lower price.

When gas stations do start selling ethanol blends, it might not be readily apparent to drivers. The state did away with labeling requirements on pumps carrying ethanol blends six years ago.

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