

# BMB Transportation Group



## May 2006 Newsletter

### Ethanol Switching Could Raise Gas Prices

Replacing a common gasoline additive with ethanol could lead to some shortages and price increases this year, particularly in Texas and on the East Coast, according to a Department of Energy report in last February.

"Eliminating MTBE in Gasoline in 2006" discusses methyl tertiary-butyl ether, which many petroleum companies said they would remove this year, according to DOE's Energy Information Administration.

EIA said its informal discussions with a number of suppliers indicate that most of the industry is trying to move away from MTBE before the 2006 summer driving season, although ethanol-blended gasoline cannot be mingled with other gasoline during the summer.

Ethanol, unlike MTBE, must be transported and stored separately from the base gasoline mixture to which it is added until the last step in the distribution chain.

The decision to eliminate MTBE has been driven by state bans due to water contamination concerns and liability exposure, EIA said.

The report said the rapid switch from MTBE to ethanol could have several impacts on the market, including:

- A net loss of gasoline production capacity.
- An ethanol market limited by production capacity and by the ability to transport increased volumes to areas of demand.
- Limited resources and permitting issues, hampering gasoline suppliers' abilities to quickly get terminal facilities in place to store and blend ethanol.
- A loss of foreign supplies because sources cannot deliver MTBE-free product or cannot produce the high-quality blendstock needed to combine with ethanol.

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