



## Southern Colorado Clean Cities Newsletter

April 2009

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### Welcome New Members

[Cripple Creek Gold Mine](#)

[Pueblo County Government](#)

[Green Light Alternative Inc](#)



## Alternative Fuel Vehicle Buyer Guide

The 2009 Clean Cities Vehicle Buyer's Guide is now available on-line. Reducing the petroleum used in vehicles has gotten easier with the introduction of hybrid electric vehicles, flexible fuel vehicles, all-electrics, and CNG- and propane powered vehicles. By selecting the vehicle and fuel that fit your needs and your location, you can help the United States achieve energy independence while you improve your own bottom line.

[View the 2009 Clean Cities Vehicle Buyers Guide](#)

## EPA Funding: Clean Diesel available

Funds will be awarded only to government entities and nonprofit organizations and institutions assisting diesel fleet operations. Forming partnerships will allow members to leverage funding, share technology and professional expertise. [Read more about the 300 Million Available](#)

### Natural Gas Vehicle Training

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## Valero bets on ethanol product

By Sheila McNulty in Houston

**Valero**, the US's biggest refiner, is making a big bet on ethanol production in spite a sharp drop in demand that has left 21 per cent of US ethanol capacity idle and a rash of bankruptcies in the sector.

The company recently snapped up ethanol assets that have been hammered by the rapid decline in fuel prices that began last autumn. Though the near-term outlook for ethanol remains weak, the company is positioning itself for a rebound in demand that would accompany an uptick in the economy.

Further, the Obama administration appears committed to ethanol, which is required by federal mandates to be blended into the US gasoline supply.

The mandate is definitely here to stay, definitely through 2020," said Rick Gilmore, chief executive of GIC group, an agribusiness consulting and investment advisory firm.

There is also new money in President Barack Obama's proposed budget for second and third-generation biofuel plants. But there are risks to Valero's strategy. It will have to ride out the overcapacity and high feedstock costs that have crippled ethanol groups since gasoline prices began to fall in October.

Yet Valero is seeking to turn those companies' weaknesses to its advantage. In March, it won a bankruptcy auction for seven VeraSun Energy plants and one development site for \$477m, which valued the assets at about 40 per cent of replacement cost.

The assets are among the most competitive ethanol production facilities in the US, in terms of location, scale and efficiency, said Nathan Schaffer, a director at PFC Energy, a consultancy. Mr Schaffer thought Valero's strategy made sense, though he cautioned that the company would need to learn to manage corn supply costs, a chronic challenge for ethanol producers. "Its real value comes from expanding Valero's depth in the supply chain at a low price," he said. The low fixed costs of the new subsidiary would give it an edge in navigating an unforgiving ethanol market.

That will enable Valero to produce its own ethanol instead of paying others for it, potentially reducing its Renewable Fuel Standard fulfillment costs by up to \$15m annually, Mr Schaffer said.

Valero produced roughly 1.1m barrels of gasoline per day in the US in 2008. Assuming a similar production volume this year, it would incur a 1.7bn gallon ethanol blending requirement. Of this, up to 45 per cent could be met by Valero's new ethanol production, although the ratio could even be higher if the US gasoline market remains weak.

The poor outlook for ethanol over the next 18 months, combined with the varying or lower quality of other facilities likely to come up for sale, may discourage other refiners from making similar bets on ethanol producers, Mr Schaffer said. But other companies may be tempted by the low asset price set by the transaction.

Analysts caution that it may take time for Valero's ethanol investment to pay off. Not only has demand for gasoline dropped, but refineries are likely to be hit hard by climate-change legislation proposed by the



Obama administration.

“Valero, like all of the refiners, is undergoing a tsunami of change,” said Roger Ihne, the energy client portfolio leader for Mid-America at Deloitte Consulting. Some, he suspects, may not be able to make the necessary adjustments to meet impending legislation while remaining competitive.

Yet, in buying the ethanol production facilities, Valero is preparing itself for an increase in renewable mandates in coming years. It also can upgrade the facilities to handle the next-generation cellulosic ethanol once it is developed and other high-grade biofuel blends. “We have the ability to bolt on new technology,” said Bill Day, Valero spokesman. In the interim, Valero will suffer from higher regulatory costs and the drop in demand. “The US refining industry is headed into its Dark Ages and 2009 will likely see refinery closures and bankruptcies,” said Mark Flannery, analyst at Credit Suisse Global Energy. “Valero will be a survivor of this period, but getting through it will not be pleasant.”

The Financial Times Limited 2009

## Clean Cities Area of Interest 4: Alternative Fuel and Advanced Technology Vehicles Pilot Program Emissions Benefit Tool

This tool has been created for the Clean Cities Funding Opportunity Announcement for Area of Interest 4: Alternative Fuel and Advanced Technology Vehicles Pilot Program. The tool is based off the AirCRED model's methodology using EPA's MOBILE6 model and light duty vehicle and heavy duty engine certification data to generate criteria air pollutant emission credits. However, for this tool, the GREET model is also used to generate data for vehicles not certified and well-to-wheel greenhouse gas emissions.

This tool requires the user to input:

- The number of vehicles planned to be purchased
- The average amount of miles each vehicle will be driven
- The amount of days per week each vehicle will be driven

The tool will output annual carbon monoxide, volatile organic compound, nitrogen oxide, and greenhouse gas emission credits.

[View this tool](#)

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