



**North America:**

Mark Hetherington  
Shameek Ghosh  
Jim Jordan  
Marybeth Maloy Gebauer  
John Murphy  
12941 North Freeway  
Suite 226  
Houston, TX 77060 USA  
Tel: 281-877-7009  
Fax: 281-877-7267  
www.jordan-associates.com  
info@jordan-associates.com

**Europe:**

Etienne Dor  
Tel: 32 10 45 42 81  
etienne.dor@skynet.be

**Asia:**

Mark Berggren  
Leo Wirawan  
Tel: 65 6465 2720  
mab@methanolmsa.com  
ltw@methanolmsa.com  
www.methanolmsa.com

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# Fuels ♦ Blendstock Report

Weekly Market Analysis July 2, 2010 ISSUE 371

## Global Prices

### United States

weekly price ranges		cts/gal	US \$/mt	Direction
MTBE	FOB USGC	212-225	753-800	↔
Ethanol	Omaha rack benchmark	164-166	549-556	↓
Ethanol	Iowa rack benchmark	165-167	553-559	↓
Ethanol	Chicago spot	146-156	489-523	↓
Ethanol	USWC spot	162-172	543-576	↓
Ethanol	USGC spot	159-167	533-559	↓
Ethanol	NYH spot	154-165	516-553	↓
Alkylate	premium to M-grade	19-20	68-71	↔
Biodiesel	USGC spot	315-324	945-972	↑
Biodiesel	Chicago spot	302-306	906-918	↓
ULSD	USGC spot	195-214	505-554	↓

Brazil for export, FOB Santos		cts/gal	US \$/cu meter	US \$/mt	
Ethanol	Hydrous	176-180	465-475	587-600	↓
Ethanol	Anhydrous	199-203	525-535	663-675	↓

Europe weekly ethanol prices		cts/gal	US \$/cu meter	US \$/mt	
Ethanol	T1	182	480	606	↓
Ethanol	T2	224	592	747	↓

Europe weekly ethers prices		cts/gal	US \$/mt	
MTBE	weekly range, FOB ARA	210-224	748-796	↓
MTBE	cob, bid-ask Friday	208-211	740-750	↓
ETBE	FOB ARA	283	1003	↓

Asia-Pacific weekly prices		cts/gal	US \$/mt	
MTBE	weekly range, FOB Spore	211-215	749-763	↓
MTBE	cob Friday - nominal	211-212	749-751	↑

US Feedstock & Futures Prices			
Methanol	Spot barges, cpg FOB USGC	86-90	286-299 ↓
Methanol	Truck & Rail, cpg USGC	101-105	336-349 ↔
Methanol	Truck & Rail, cpg Midwest	113-118	376-392 ↔
N-butane	Spot, Mt. Belvieu, cpg	130-144	↓
Iso-butane	Spot, Mt. Belvieu, cpg	135-155	↓
DDG	\$/short ton	100.31	DDG, USDA Average
Natural gas	\$/mmBtu	4.854	Near-month NYMEX contract - July 1
Ethanol	\$/gal	1.535	Near-month CBOT contract - July 1
Corn	\$/bushel	3.654	Near-month CBOT contract - July 1
Soybean Oil	US cents/pound	35.87	Near-month CBOT contract - July 1
Sugar #11	US cents/pound	16.28	Near-month NYBOT contract - July 1

\$1 USD = €0.7988; GBP 0.659; JPY 87.59; CNY 6.78; INR 46.62; MYR 3.23; CAD \$1.059; BRL 1.79; MX peso 13.01

**US Spot Market Summary**

2-Jul-2010 - weekly averages  
US cents per gallon (cpg)

For the report week: Friday June 25 - Thursday July 1

Chicago	
Ethanol	152 cpg 509 \$/mt
Unl 87	203 cpg
Unl 93	221 cpg
RBOB	209 cpg

New York Harbor/NJ	
Ethanol	161 cpg 540 \$/mt
Unl 87	200 cpg
Unl 93	211 cpg
RBOB	209 cpg
PBOB	220 cpg

US West Coast	
Ethanol	167 cpg 560 \$/mt
SF CARBOB	231 cpg
premium regrade	13.8 cpg
LA CARBOB	229 cpg
premium regrade	8.3 cpg



US Gulf Coast	
Ethanol	164 cpg 549 \$/mt
Unl 87	204 cpg
Unl 93	214 cpg
RBOB	204 cpg

US Gulf Coast Blendstock Values - Weekly Averages (cpg)							
<b>Blendvalues</b>	<b>MTBE (1)</b>	<b>Isooctane(2)</b>	<b>Alkylate (3)</b>	<b>Reformate (4)</b>	<b>Toluene</b>	<b>Ethanol</b>	<b>ETBE</b>
Net blend value	240	228	217	232	245	231	247
USGC Unl 87 +	36	24	13	27	40	27	42
<b>Spot prices</b>	<b>219</b>	<b>27 + unl 87</b>	<b>20 + unl 87</b>	<b>32 + unl 87</b>	<b>248</b>		
\$/mt	779				752		

NY Harbor Blendvalues - Weekly Averages (cpg)							
NYH Net value	-	229	216	232	247	235	250
NYH Unl 87+	-	28	16	32	47	35	50

(1) 110-octane, 8 RVP; (2) 98-octane, 1.7 RVP; (3) 93-octane, 5 RVP; (4) 100-octane, 1.5 RVP

**Global Ethanol - MTBE - Gasoline**

2-Jul-2010 - weekly averages

NY Harbor/New Jersey	
Ethanol	540 \$/mt
Unl 87	713 \$/mt
Unl 93	752 \$/mt
RBOB	743 \$/mt
PBOB	783 \$/mt

NW Europe/ARA			
FOB prem unl	694 \$/mt	Ethanol - T1	609 \$/mt
Eurobob	695 \$/mt		182 cpg
MTBE	763 \$/mt	Ethanol - T2	750 \$/mt
ETBE	1,003 \$/mt		224 cpg

US Gulf Coast	
MTBE	779 \$/mt
Ethanol	549 \$/mt
Unl 87	727 \$/mt
Unl 93	761 \$/mt
RBOB	726 \$/mt
PBOB	771 \$/mt



FOB Singapore	
MTBE	756 \$/mt
92 unl	690 \$/mt
95 unl	706 \$/mt
97 unl	722 \$/mt

Ethanol for export FOB Santos, Brazil			
Hydrous	549 \$/mt	435	\$/cu meter
Anhydrous	625 \$/mt	495	\$/cu meter

### Gasoline Snapshot

This week, gasoline refinery operating rates fell a full percentage point to 88.4%. Even though operating rates have been fluctuating over the last month, the general trend has been upward. This should continue until the middle of July, at which point gasoline refinery operating rates will start trending downward, based on previous seasonal trends.

### Gasoline Refinery Crack Spread

The weekly gasoline refinery crack fell this week by \$1.35 per barrel to \$8.78 per barrel. This is the lowest crack spread since the beginning of April. The weekly average for regional unleaded 87 regular gasoline in the US Gulf Coast decreased by 3.16 cents per gallon to 204.29 cents per gallon.

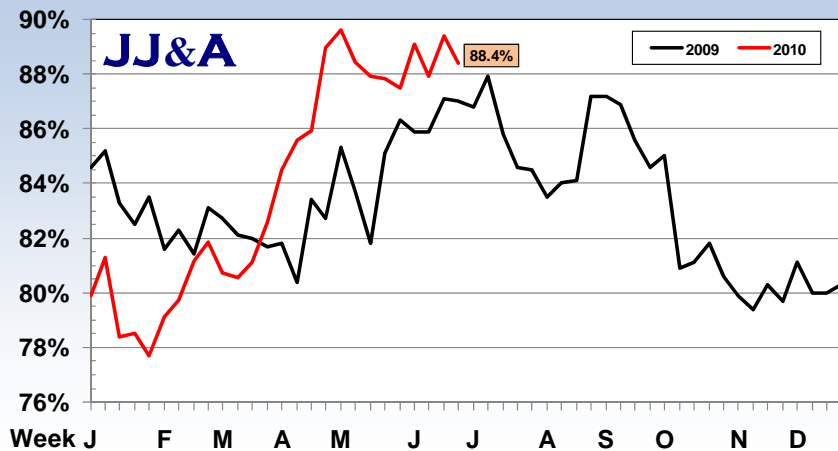
The weekly average price of No. 2 diesel fell by a bigger margin, dropping by 7.90 cents per gallon to 199.29 cents per gallon. The weekly average price of crude oil on the NYMEX also weakened, albeit slightly; the weekly average is \$76.32 per barrel after averaging \$77.01 per barrel the previous week.

### Gasoline Demand & Inventory

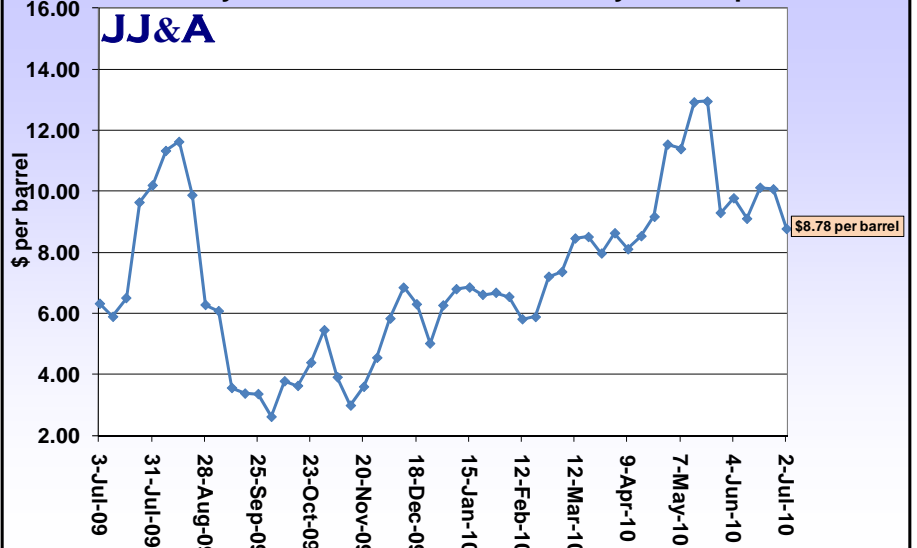
The chart to the right covers the EIA's reported four-week rolling average for the US demand of motor gasoline as of June 25. As illustrated in the graph, consumption jumped to 9.309 million barrels per day from 9.237 million the prior week.

Consumption levels have now surpassed those of 2008 for this time of year. This is a positive indicator for the economy as a whole and good news for ethanol blended gasoline.

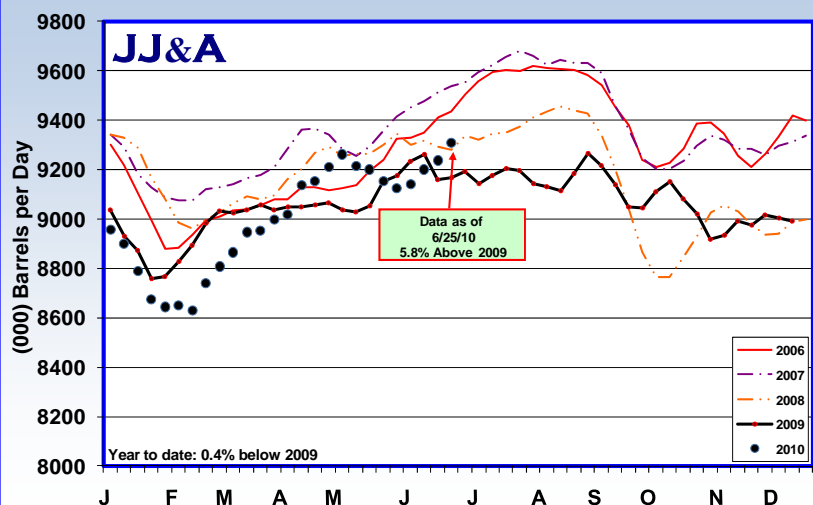
United States Refinery Operating Rate



Weekly USGC Gasoline 3:2:1 Refinery Crack Spread



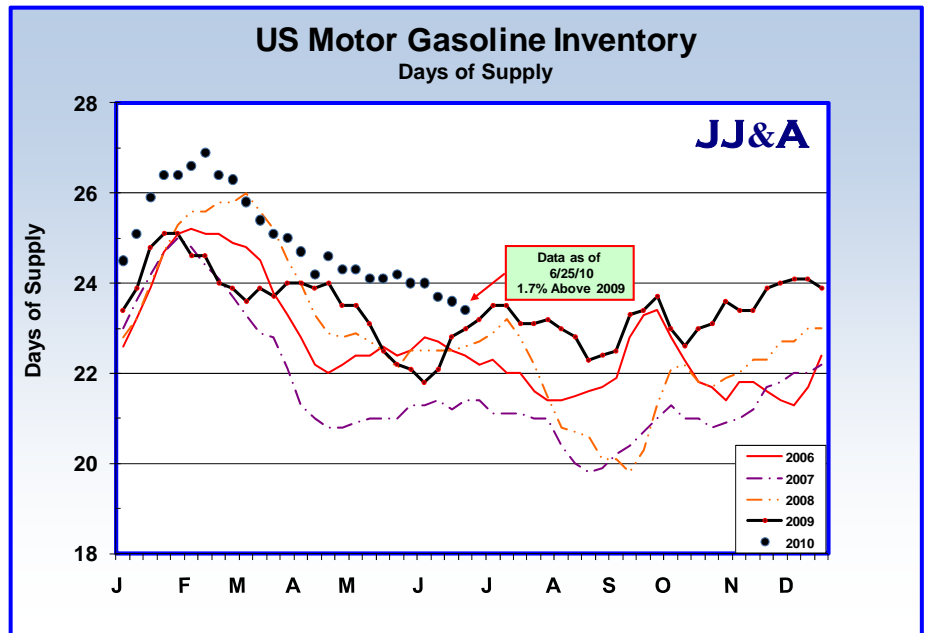
US Motor Gasoline Demand  
Four Weeks Rolling Average



*Gasoline Snapshot, continued*

Production rose this week almost erasing the previous week's loss. Production was measured at 9.374 million barrels, which 112,000 barrels more than the prior week's production estimation of 9.262 million barrels. Current production levels are also higher than last year's at this time, which were reported at 9.241 million barrels per day.

Imports also increased this week after last week's decline. The four-week rolling average of gasoline imports gained 19,000 barrels to 875,000 barrels. Last year at this time, 978,00 barrels were imported into the US.



Inventories climbed this week after experiencing draws for six weeks in a row. Stocks were measured at 218.115 million barrels, resulting in a 537,000 barrel increase from last week's total of 217.578 million barrels. Gasoline inventories continue to be higher than last year's levels, when stocks totaled 211.238 million barrels. The days of supply for gasoline, however, dropped to 23.4 days of supply from 23.6 days of supply during the previous week. This fall was due to consumption increasing at a much faster rate than the build in inventories. Based on seasonal trends, this downward trend in days of supply for gasoline will continue until August, at which point a gradual upward trend will commence.

US Regional Gasoline Weekly Average Prices (cpg)								
Date	Chicago		New York Harbor		US West Coast		US Gulf Coast	
	Uni 87	Uni 93	Uni 87	Uni 93	Uni 87	Uni 93	Uni 87	Uni 93
<b>This Week (6/25 - 7/2)</b>	203.33	221.03	200.35	211.33	229.92	236.42	204.29	213.78
<b>Last Week (6/18- 6/24)</b>	207.79	226.79	203.97	215.62	234.52	245.17	207.45	217.25
<b>Change</b>	-4.46	-5.76	-3.62	-4.29	-4.60	-8.75	-3.16	-3.47

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NYMEX Products Front-Month Daily Prices					
Petroleum Product	Friday 6/25	Monday 6/28	Tuesday 6/29	Wednesday 6/30	Thursday 7/1
<b>Crude Oil (\$/bbl)</b>	78.85	78.25	75.94	75.63	72.95
<b>RBOB (cpg)</b>	216.78	213.76	207.20	206.06	199.76
<b>RBOB (\$/mt)</b>	771	761	737	733	711

JJ&A

Biofuels RIN Credits - cents per gallon				
Biofuels Product	2009		2010	
	This Week	Last Week	This Week	Last Week
<b>Ethanol</b>	0.38	0.45	2.13	2.35
<b>Biodiesel</b>	4.88	4.50	50.50	33.50
<b>Cellulosic</b>			35.00	20.50

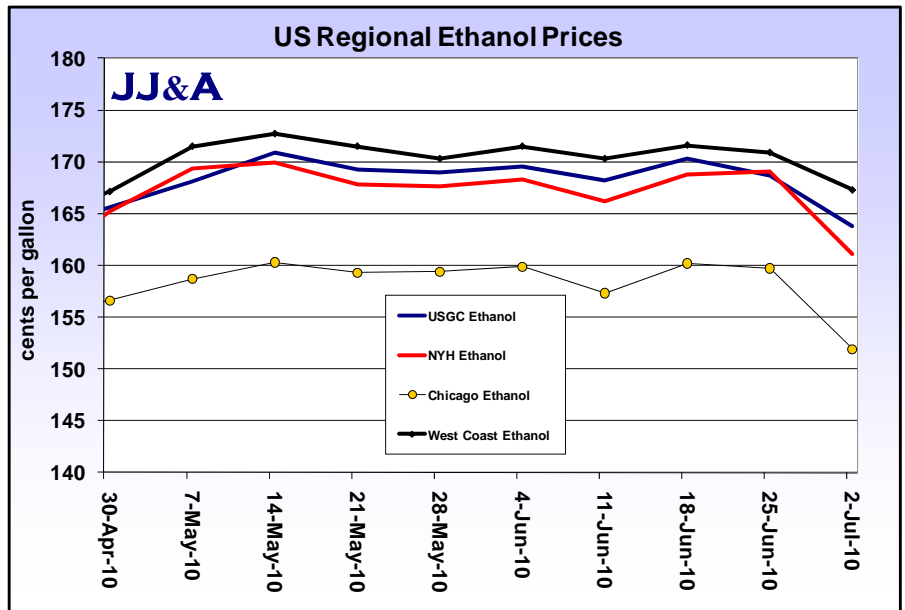
JJ&A

# Ethanol

## US Ethanol

The ethanol market remains a corn-driven market. Unfortunately, when corn rebounded sharply this week on positive USDA news, ethanol prices did not move up as quickly, giving up almost 10 cpg on the corn crush margin from last week to a 23 cpg level. This corn crush level will put tremendous pressure on producers, pushing them under cash breakeven level if it sticks. Market participants have experienced healthy demand, and market inventories appear to be balanced. One interesting indicator is the forward swaps. Q3 swaps are even to prompt with Q4, at plus 2 cents, and Q1, at plus 8 cents. Last week, the Q3 and Q4 swaps were backwardated, and now the market is moving back to contango, indicating market sentiment that the prompt market is long. It appears that there are conflicting market signals.

The arbitrage for exports to Europe remains essentially close. Even though European demand is expanding, domestic supply is also growing in Europe, and so there does not appear to be any near term price pressure - that may change as we move into the fall. For now, the US market is on its own, and with 350 million



Weekly Average Regional Gasoline/Ethanol Differentials			
Unleaded 87 Less Ethanol (cpg)			
Region	This Week	Last Week	Change
Chicago	51.43	48.09	3.34
New York Harbor	39.25	34.87	4.38
US Gulf Coast	40.49	38.75	1.74
US West Coast	58.73	56.60	2.13

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US Daily Ethanol Prices (cpg)									
Date	Chicago/Midwest		New York Harbor		US Gulf Coast		US West Coast		
	Low	High	Low	High	Low	High	Low	High	
Friday 6/25	154	156	163	164	164	167	168	172	
Monday 6/28	150	152	160	162	161	167	164	169	
Tuesday 6/29	146	148	154	156	159	164	162	165	
Wednesday 6/30	151	155	161	164	163	165	166	170	
Thursday 7/1	152	155	162	165	163	165	167	170	
<b>WEEKLY AVERAGE</b>	151	153	160	162	162	166	165	169	
<b>LAST WEEK'S AVERAGE</b>	158	161	168	170	167	170	170	172	

US Daily Ethanol Prices (\$/MT)									
Date	Chicago/Midwest		New York Harbor		US Gulf Coast		US West Coast		
	Low	High	Low	High	Low	High	Low	High	
Friday 6/25	516	523	546	549	549	559	563	576	
Monday 6/28	503	509	536	543	539	559	549	566	
Tuesday 6/29	489	496	516	523	533	549	543	553	
Wednesday 6/30	506	519	539	549	546	553	556	570	
Thursday 7/1	509	519	543	553	546	553	559	570	
<b>WEEKLY AVERAGE</b>	505	513	536	543	543	555	554	567	
<b>LAST WEEK'S AVERAGE</b>	529	541	563	570	561	570	568	577	

**JJ&A**

*Ethanol, continued*

gallons of new capacity starting up this month, the only upward pressure will be increasing corn prices.

Total gasoline production moved up to 9,380,000 barrels per day in anticipation of the July 4 holiday. Ethanol-blended gasoline increased from 7,741,000 to 7,796,000 barrels per day, yielding an 83% ethanol blending penetration. Ethanol production fell slightly, from 846,000 barrels per day to 832,000 barrels per day for the week. Stocks continued to grow with the bulk of the growth in PADD I (East Coast). Total stocks grew from 19,368,000 barrels to 19,499,000 barrels. The growth of stocks in market areas is not necessarily a strong negative indicator because stocks in PADD II (Midwest), which is the production portion of the US, remained unchanged.

**Europe Ethanol**

The European market has been steady from a Euro perspective for T2 material in the euro 470-475 per cbm range. The Euro has modestly strengthened against the dollar. T1 prices held steady at \$480 per cbm FOB Rotterdam. The arbitrage with the US and Brazil remained closed and we do not anticipate any significant change until late in Q3 at the earliest with these arbitrages.

**Brazil Ethanol**

There was not much movement in Brazilian ethanol markets this week. FOB Santos prices are notional at \$470/cbm for Hydrous and 530/cbm for anhydrous. Sugar continues to give the mill a higher return than ethanol production. Mills that have ability will continue to favor sugar production. With the harvest in full swing, ethanol prices are not

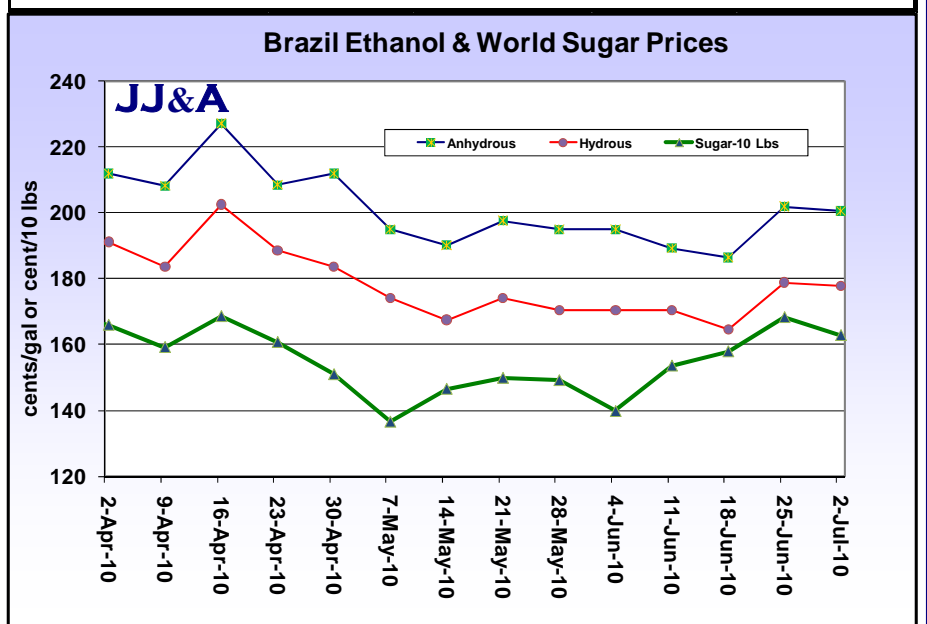
Weekly US Fuel Ethanol Production and Inventory				
	6/4	6/11	6/18	6/25
Production - (000) bbls/day	839	839	846	832
Days of Supply	21.8	22.1	22.9	23.4
Total Stocks - (000) bbls	18,309	18,551	19,368	19,499
PADD I	7,826	7,911	8,503	8,735
PADD II	6,274	6,260	6,246	6,201
PADD III	2,411	2,497	2,753	2,700
PADD IV	153	157	160	151
PADD V	1,645	1,725	1,706	1,710

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European Ethanol Prices				
Ethanol Product	USD per cbm		USD per gallon	
	Price	Differential to T2	Price	Differential to T2
T2 - FOB Rdam	591.5	n/a	2.24	n/a
T1 - FOB Rdam	480.0	-111.5	1.81	-0.42
T1 plus €192/Liter	720.4	128.9	2.72	0.49
T1 plus €102/Liter	607.7	16.2	2.30	0.06

Exchange Rate €1 = \$1.252

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Brazil Ethanol Prices			
\$ per cbm			
Product	Santos	Paulinea	Ex-Mill
Hydrous Ethanol	470.00	436.02	415.11
Anhydrous Ethanol	530.00		480.24
Exchange Rate	R\$= \$0.559		
	TRS (R\$/kg)	Hydrous (\$/gal)	Anhydrous (\$/gal)
Raw Material Cost Ex-Mill	0.3528	1.02	1.06

JJ&A

*Ethanol, continued*

weakening as they did at the same point in previous seasons.

If the ethanol industry maintains this discipline, Brazilian sellers will be able to choose higher value export markets such as Asia and avoid pushing cheap ethanol into high tariff markets such as Europe and the US.

**Sugar**

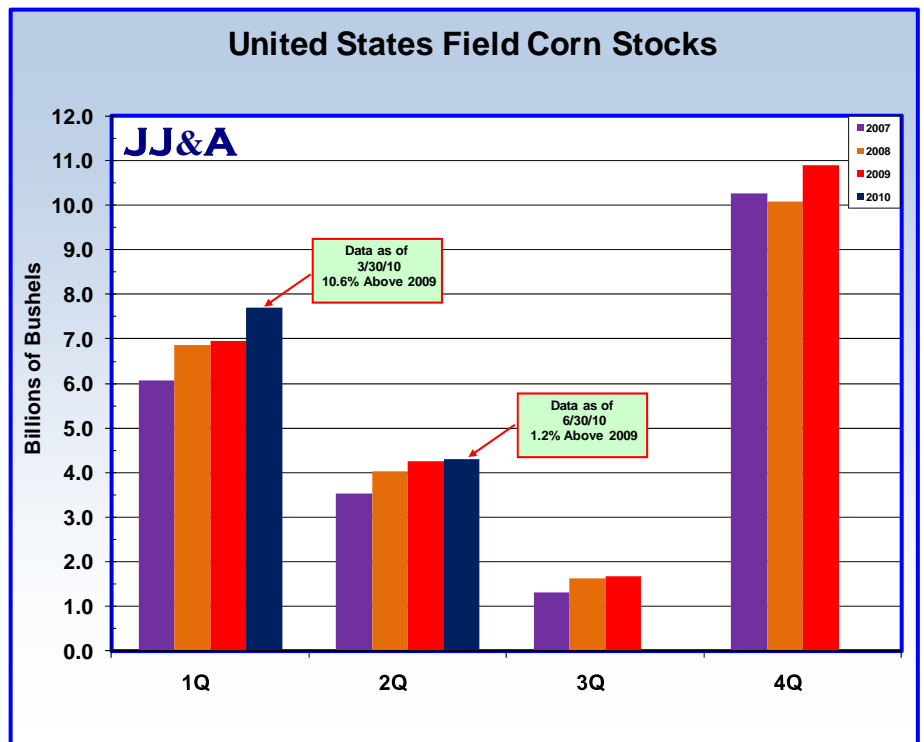
Sugar prices rose until Tuesday, but then dropped for the rest of the week. Trading of July Sugar #11 futures on the ICE futures US settled on Monday at almost 17 cents per pound, rose to close at approximately 17.7 cents per pound on Tuesday, and then decreased through the next two days to settle at 16.28 cents per pound on Thursday.

Last week, 72 vessels were lined up to export sugar out of Brazil, and that number has grown to 92 vessels this week. The increased demand will most likely come from Muslim countries, who need sugar to prepare special dishes for the holy month of Ramadan, which will take place in August of this year.

**Corn**

This week, corn prices fell until Tuesday, but then shot up the rest of the week. Trading of July corn futures on the CBOT closed on Monday at \$3.336 per bushel, fell to settle at \$3.250 per bushel the next day, and then jumped through the next two days to finally settle on Thursday at \$3.654 per bushel.

The USDA released their acreage report on Wednesday, June 30. It showed a reduced estimate for corn plantings, from a March projection of 88.798 million acres to the current estimate of 87.872 million acres. The USDA also reported that corn stocks dropped to 4.31 billion bushels on June 1 from 7.694 million bushels in March.



This is evident on the graph above titled "United States Field Corn Stocks". The stocks for Q1 of this year were significantly higher than previous years. The new report showed Q2 stocks falling to within 1% of 2009 stocks. The trade's expectations were for stocks to be 300 million bushels more than what the USDA reported. The reduced estimated acreage and reduced corn inventory combined to for an almost 40 cents per bushel increase in corn prices this week. If the demand trend continues, carryout for this season has the potential to be the lowest in several years.

One interesting item in the acreage report was the slowdown in the penetration of hybrid seeds use by the corn farmer, growing only 1% over last year. This shift in seed usage may mean that yield growth may be somewhat less that anticipated.

*Ethanol, continued*

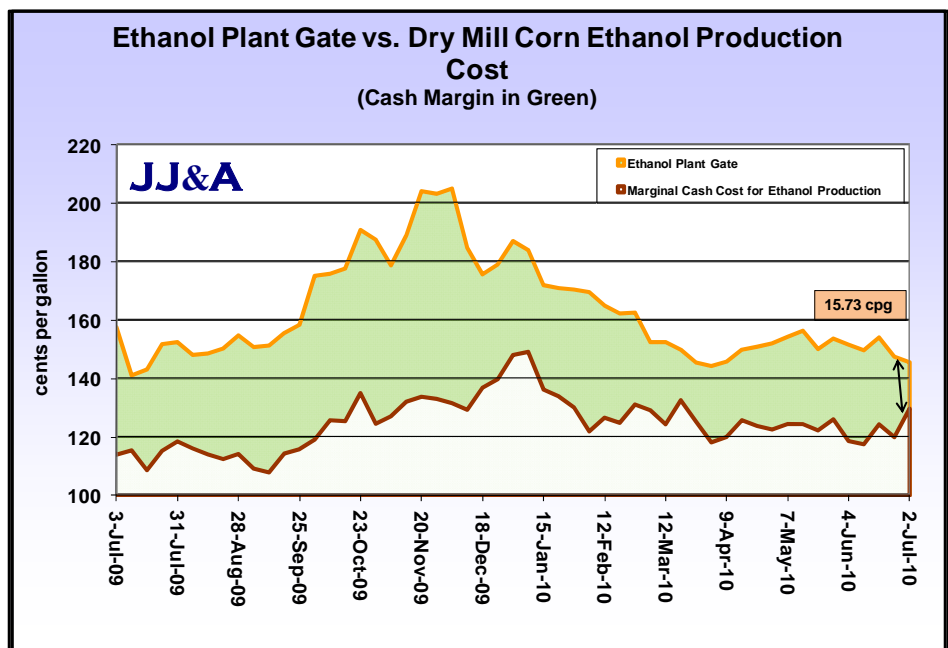
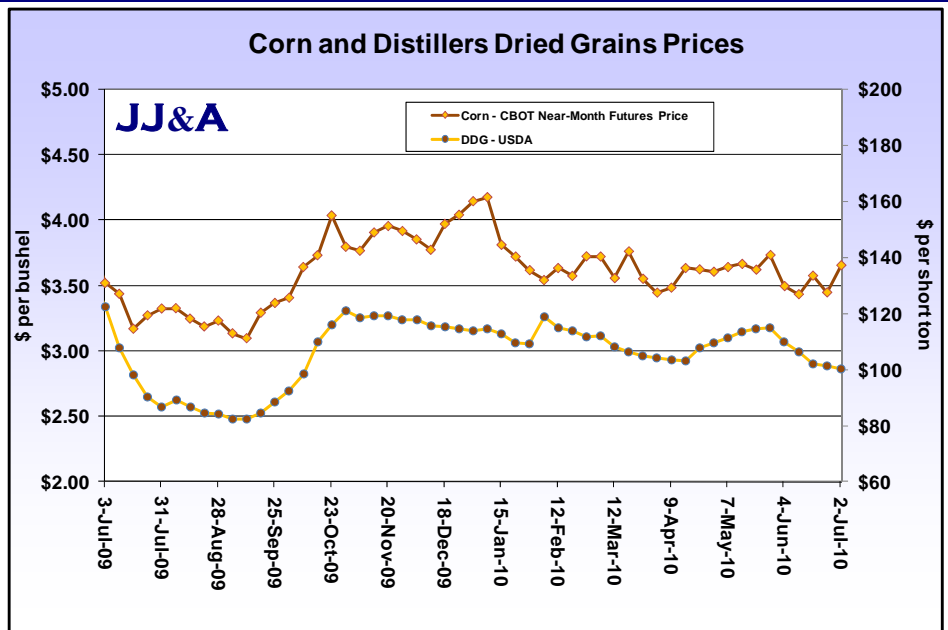
**Ethanol Production Economics**

The cost of producing ethanol from corn increased to 129.77 cents per gallon this week from 120.02 cents per gallon last week.

Corn prices shot up later in the week, leading to an increase of more than \$0.20 per bushel from the previous Thursday's closing price on the CBOT.

Although the weekly average price of natural gasoline, used as a denaturant, dropped by \$0.08 per gallon to \$1.60 per gallon this week, the price of natural gas rose \$0.57 per mmBTU to \$4.91 per mmBTU. The price of DDGs, sold as a byproduct, continued to fall for the sixth week in a row to \$100.31 per short ton. The combination of a higher feedstock cost, higher natural gas cost, and lower byproduct credit led to the increase in the production cost.

The ethanol plant gate price, however, actually decreased to \$1.455 cents per gallon from \$1.474 cents per gallon the previous week. Therefore, the cash margin shrank to 15.73 cents per gallon after being estimated at 27.38 cents per gallon the previous week. This is the lowest cash margin since January of 2009.



Weekly Ethanol Plant Cash Margin Breakdown	
Corn - \$ per Bushel (CBOT Thursday Close)	\$3.65
DDG - \$ per Short Ton (USDA Weekly Average)	\$100.31
Natural Gasoline - \$ per Gallon (Spot Weekly Average)	\$1.60
Natural Gas - \$ per mmBTU (Monthly Index)	\$4.91
<b>Marginal Cash Cost - \$ per Gallon</b>	<b>\$1.30</b>
<b>Ethanol Plant Gate - \$ per Gallon (CBOT Thursday Close)</b>	<b>\$1.455</b>
<b>Cash Margin - \$ per Gallon</b>	<b>\$0.1573</b>

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Ethanol prices have to move upward in tandem with corn prices if ethanol producers want the margin to increase. As it is, this is a relatively low margin, and this will result in lower production and operating rates for ethanol plants.

## BIOFUELS NEWS & REVIEW

### Global Ethanol Trade Flows

Ethanol trade has started to slow down for many producing and consuming countries. The table on the right titled "Global Ethanol Trade Flows" examines trade flows between various regions around the world comparing year to date April of 2010 versus year to date April of 2009. The six key trade flows that have shown significant year over year changes are evaluated as follows:

Global Ethanol Trade Flows					
Origin	Destination	YTD April 2009		YTD April 2010	
		Liters	Gallons	Liters	Gallons
USA	Canada	57,447,987	15,176,035	111,319,635	29,407,308
Brazil	CBI	93,885,620	24,801,764	22,864,965	6,040,238
CBI	USA	117,487,674	31,036,719	19,144,532	5,057,411
Brazil	USA	36,238	9,573	85,621	22,618
Brazil	Asia	167,866,126	44,345,195	149,327,786	39,447,921
Brazil	EU	220,040,609	58,128,128	124,530,867	32,897,319
USA	EU	4,998,636	1,320,490	159,972,616	42,259,966

**JJ&A**

- **USA → CANADA**

Looking at the table above, according to the US Census Bureau, exports of ethanol from the US to Canada have almost doubled this year compared to the same time frame last year. This is due to provincial ethanol blending mandates in Canada taking effect within the last year, as well as preparation for the national E5 mandate that is set to be implemented at the end of the year. There is one new plant expansion scheduled in Canada by Suncor of 200 mln liters in Q1 2011. With no other new capacity on the drawing board beyond the Suncor plant, this level of Canadian imports will continue into next year.

- **Brazil → CBI → USA**

Brazil's exports to the CBI nations are down 76% of what they were a year ago. CBI nations enjoy duty-free access to the US market. The CBI countries have essentially no indigenous ethanol production and rely solely on the dehydration of Brazilian ethanol. The dehydration arbitrage of Brazilian hydrous ethanol is closed and we expect the arbitrage to remain closed for the foreseeable future reducing this trade flow to zero.

- **Brazil → USA**

Due to feedstock prices in their respective countries, imports of ethanol into the US from Brazil have diminished during the last two years. Brazil's poor harvest last year and substantial growth in Brazil's domestic ethanol demand by the burgeoning FFV fleet have maintained strong domestic prices, reducing the incentive to export. The US import tariff of \$0.54-per-gallon tariff is also a strong barrier to open trade. Although corn prices are rising in the US at the moment and pushing ethanol with them, it remains uneconomical to bring material in from Brazil, especially with the added tariff.

- **Brazil → Asia/Pacific**

Brazilian ethanol exports to Asia are somewhat lower this year compared to the same time last year. This market represents a potential growth opportunity for Brazil. Other than China, there are no substantial producers of ethanol in Asia, especially for export; and countries such as Japan and India have invested in sugar mills and ethanol technologies in Brazil, leading to a natural trade flow between Brazil and these countries. South Korea is a major recipient of ethanol from Brazil, but much of this volume is for beverage-grade consumption since South Korea does not have a fuel ethanol blending mandate.

*Ethers, continued***• Brazil → EU**

Exports of ethanol from Brazil to the EU have fallen by almost half of what they were last year during the same time period. This has been due to abundant T2 ethanol supply in Europe, as well as a function of price; when adding the EU import ethanol tariff, it simply has been largely uneconomical to send undenatured EN spec ethanol from Brazil to the EU. We expect ethanol demand to grow in Europe with increased blending penetration percentages kicking in the second half of the year. With this increased demand, regional price spreads will widen at some point to draw in the necessary volume to cover demand.

**• USA → EU**

Exports of ethanol to the EU from the US have increased substantially. This change in trade flow has been a function of price. Ethanol prices in the US have been low relative to EU and Brazilian prices prompting the surge in exports. Export volumes have receded recently with the narrowing of regional prices. This week's strengthening in corn prices due to changing supply fundamentals will keep US ethanol prices too high for further sustained exports to the EU.

**E15 Update**

The EPA announced last week that the agency was delaying the decision on whether to grant a waiver to allow E15 in gasoline, citing the agency's desire to wait until the DOE has completed its engine testing in September. The DOE engine testing is focused on late model Tier II emission control vehicles that went into production in 2007. In announcing this delay, the EPA intimated that it may only approve a waiver for these types of vehicles, and older vehicles may not be part of the waiver. The ethanol industry was hoping for a minimum waiver that included vehicles 2001 or younger that would have made more than half the existing fleet eligible for E15. Backing up the waiver to 2007 or younger will shrink the available vehicles to approximately 20% of the fleet. This type of waiver will do little for the ethanol industry. As we have discussed previously, a bifurcated market will have gas station liability issues, product labeling issues, and distribution issues for the gasoline marketer offering clear unleaded 87, E10, E15, E85, and premium gasoline.

ADM has petitioned the EPA to consider an E12 waiver based on the "substantially similar" concept that bypasses any engine testing by deeming the product substantially similar. This approach appears to be a long shot. The year and half delay in making any type of decision by the EPA is indicative of the difficulty in moving the gasoline market past E10 with the existing fleet of vehicles. Always keep in mind that when a difficult decision is required by a government bureaucrat that involves risk, the "make no decision" reflex will win out, as evidenced by the long delay on this E15 decision.

We believe the clear path to large ethanol consumption is to focus on moving the fleet towards E85-capable vehicles. In order to achieve the desired amount of renewable ethanol in the US gasoline pool, the solution that Brazil has embraced is the Flex-Fuel Vehicle (FFV). The FFV in Brazil has been tremendously successful in developing the ethanol fuel market in that country. It is very inexpensive to produce an FFV versus a non-FFV, so that is not an impediment. The key to unlocking the E85 market is getting the fuel dispenser infrastructure in place. There is proposed legislation to mandate the auto manufacturers to produce 90% of the fleet as FFV's by 2013, and the legislation offers substantial federal grants for blender pump installation at gas stations.

Looking forward into 2011, the RFS mandate increases by 600 million gallons, and the small refiner exemption will be removed. These two actions will be enough to complete 100% penetration of E10 into the

Ethers, continued

gasoline pool and consume all the production scheduled to come online by the end of this year. E15 is not necessary to consume all the domestically produced ethanol over the next 18 months, but the delay is having a negative impact in market psychology.

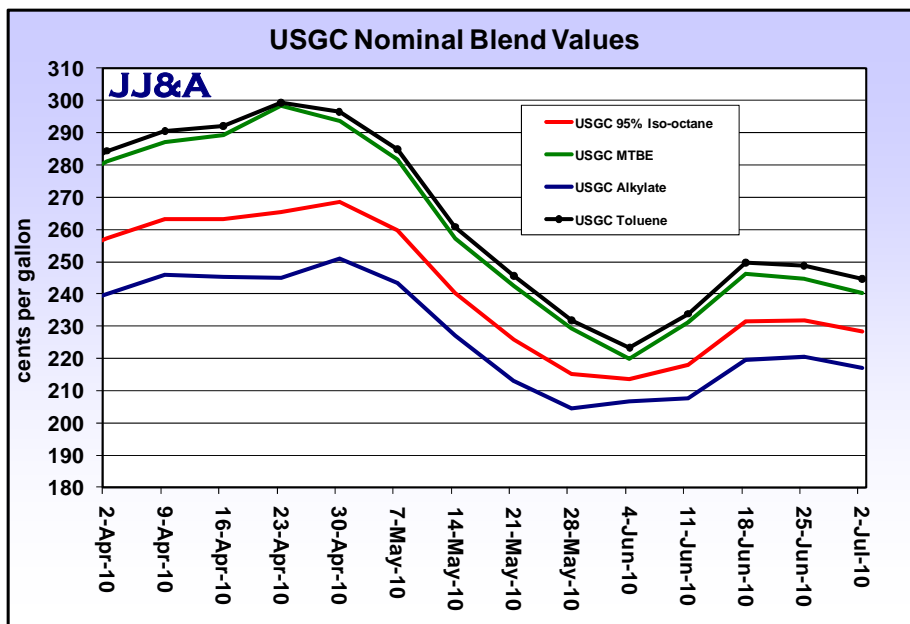
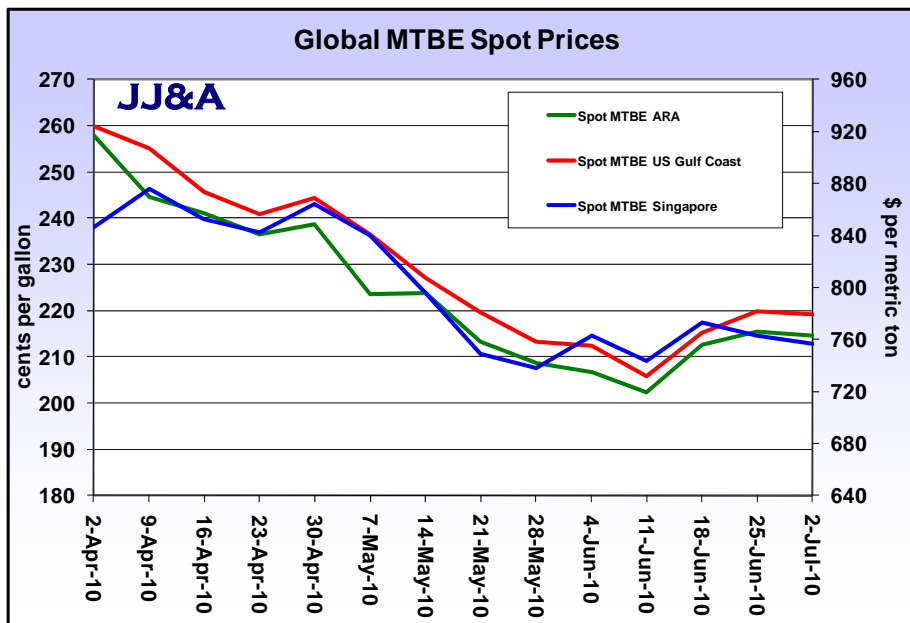
Ethers

MTBE prices dropped all across the globe this week. The biggest fall occurred in Asia, where the weekly average declined by close to \$6 per MT to \$756 per MT (213 cpg). This is also still the weakest market for MTBE, while the US Gulf Coast, where the weekly average is 219 cpg, is still the strongest market.

In Europe, prices gradually fell as the week went on. All deals are FOB ARA for July delivery. MTBE traded in the \$760 to \$763 per MT range on Tuesday and Wednesday, followed by two sales on Friday at \$748 per MT. The MTBE-to-gasoline factor started the week in between 1.09 and 1.11, but, just like last week, rose to 1.12 by the end of it.

ETBE prices maintained a \$240 per MT premium over MTBE in Europe.

MTBE prices in Asia also dropped through the week. They began the week with bids at \$763 per MT, and then fell through the rest of the week, finally culminating with bids in the \$749 to \$751 per MT range. In Thailand, Thai BST is planning to run its unit at reduced rates in July and August, due to reduced availability of feedstock supply.



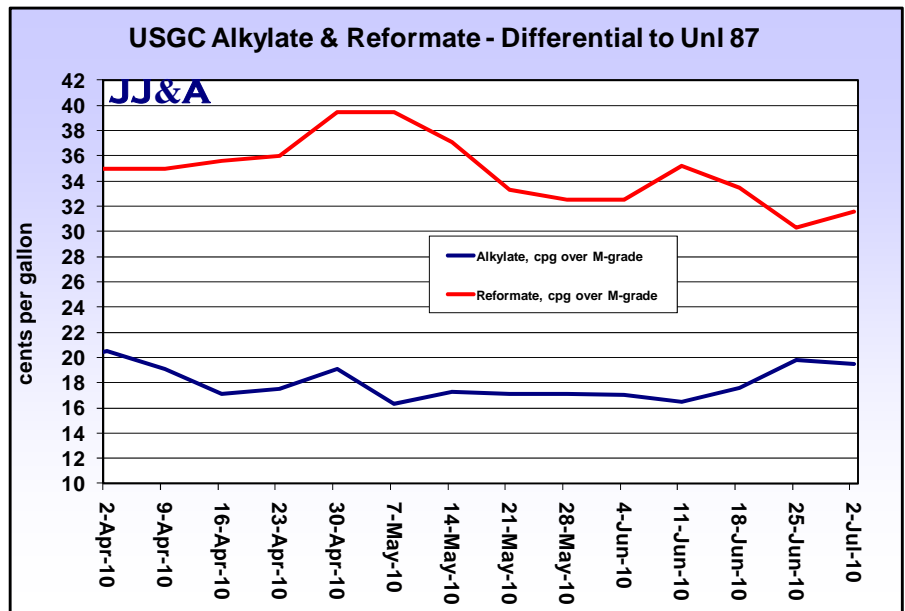
There were again no reported deals in the US. Notional prices were in the 212 to 225 cpg range all week. The blend value of MTBE in the US Gulf Coast, as reported on page 2, is 240 cpg, so notional ranges are still very much under the blend value.

A 9,000 MT tender offer from Chile was awarded this week, and there is speculation that PDVSA will be looking for MTBE next week.

## Alkylate & Reformate

This week's spot **alkylate** assessments were again reported in the price range of 19-20 cpg (\$67-\$71/mt) over M-grade gasoline for the fourth week in a row. Our calculated blend values as shown on page 2 are still 13 cpg (\$46/mt) over M-grade gasoline on the US Gulf Coast and 16 cpg (\$57/mt) over M-grade gasoline in the New York Harbor area.

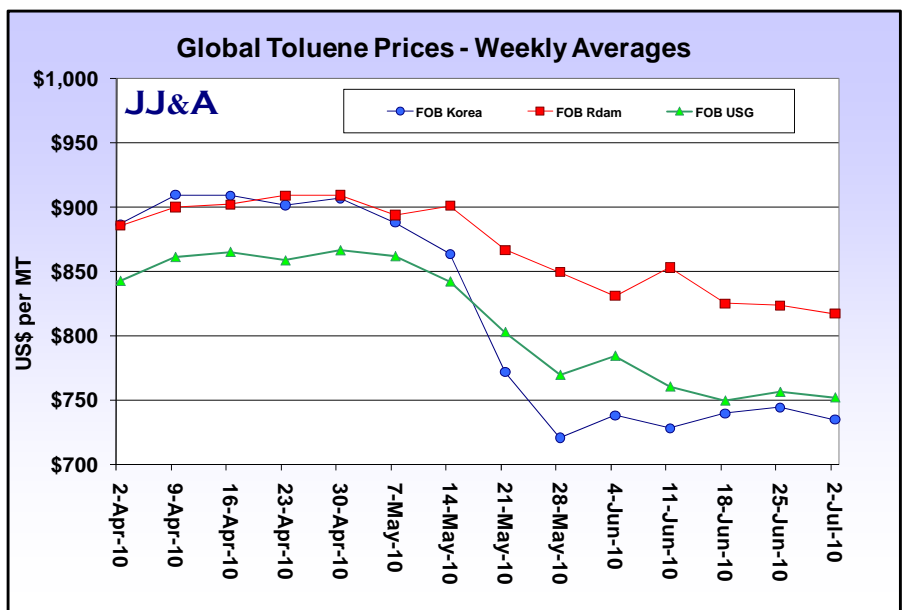
Average spot **reformate** values were still reported at 29-33 cpg (\$79-\$90/mt) over M-grade gasoline. Our calculated blend values for a typical reformate stream with an octane value of 100 and a 1.5 psi RVP are about 27 cpg (\$73/mt) over M-grade gasoline on the USGC and 32 cpg (\$87/mt) over M-grade gasoline in the North East.



## Toluene

US toluene prices moved lower with blend values this week in very thin trade. Gulf Coast nitration-grade spot business was reported this week at 244 cpg FOB USG for August, while July fixed price deals were non-existent. The notional bid/offer assessment at the close of the report week Thursday was reported at 235/240 cpg FOB US Gulf for July. Commercial grade spot trade was very quiet this week.

Our average weekly calculated US Gulf Coast blend value for toluene as shown on page 2 is 245 cpg, which is down from 249 last week. Toluene spot price values for the week averaged about 43 cpg over cash GC gasoline.



There were no reported trades this week in **Europe**. Notional prices for the week were in the \$790 to \$845 per MT range for June delivery. The bid/offer assessment at the end of the week was \$790 to \$835 per MT for June. The notional toluene-to-gasoline factor started out the week in between 1.11 and 1.18, but by the end of the week, grew to a range of 1.18 to 1.25.

This was a rather quiet week in **Asia**, with no reported deals completed. Notional prices for the week were in the \$715 to \$755 per MT range for August delivery. The bid/offer assessment at the end of the week was \$715 to \$730 per MT for August.

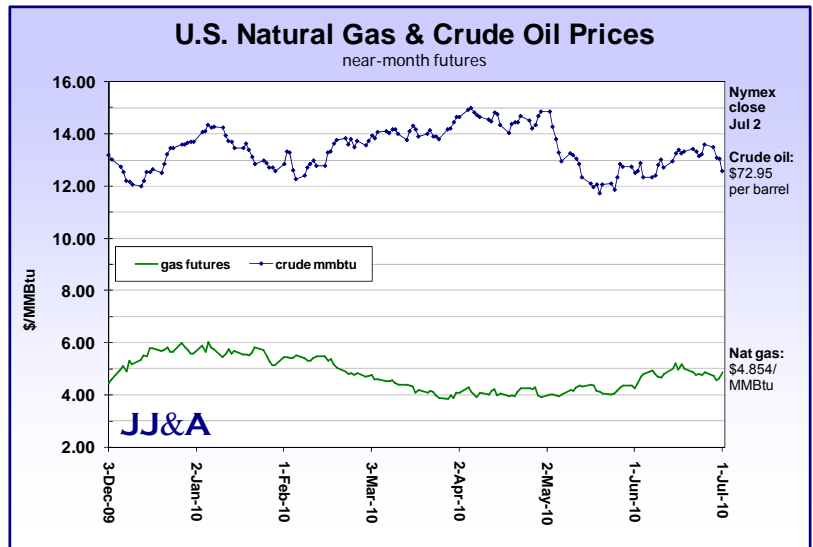
## US Natural Gas Snapshot

Natural gas futures prices on the NYMEX moved lower early this week, driven by diminishing storm threats from Alex and tumbling equities. The market recovered by Thursday, climbing higher on hot weather forecasts and the EIA storage report showing a smaller than expected build in natural gas inventories. The new front-month August futures contract closed the report week Thursday at \$4.854 per MMBtu, which is an increase of \$0.061, or about 1.3 percent, since last week. The July futures contract expired Monday June 28th at \$4.717 per MMBtu, which is an increase of \$0.39 since its debut in front month position last month.

The 12-month futures strip on the NYMEX (Jul 2010—Apr 2011) closed the week at \$5.212 per MMBtu, which is unchanged from last week. At \$5.212, the 12-month strip is trading at a premium of \$0.662 relative to the Henry Hub spot price. The winter 2010-11 strip closed Thursday at \$5.413 per MMBtu, which is down \$0.072, or about 1.3 percent, from last week's close. The January 2011 contract is the highest priced futures contract over the next 12 months at \$5.565 per MMBtu.

Spot gas prices trended lower this week when it became apparent the impact from Hurricane Alex would be mild. The Henry Hub daily spot average closed the report week Thursday at \$4.55 per MMBtu, which is a decrease of \$0.34, or about 7 percent, week-on-week. Henry Hub spot prices traded in a range of \$4.49-4.87 per MMBtu during the report week. During the same week last year, spot prices were trading in an average range of \$3.45-3.90 per MMBtu.

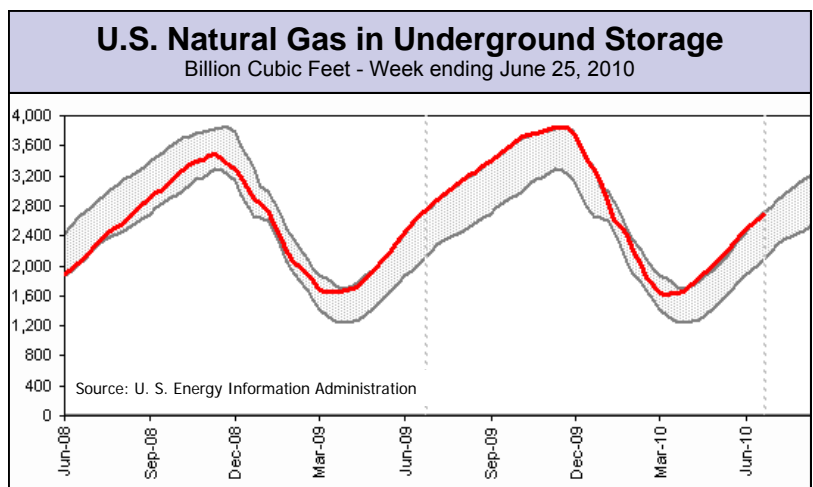
Hot weather last week contributed to a smaller than normal storage build. The US Energy Information Administration's latest natural gas storage report for the week ending June 25 showed a 60 Bcf net injection into storage. The injection was below average analyst and trader projections for a 65 Bcf injection. The net increase of 60 Bcf is less than the 5-year average injection of 82 Bcf and the year-ago injection of 73 Bcf for the same report week. The latest injection brings total gas in storage to 2,684 Bcf. Current storage levels are 27 Bcf (-1.0 percent) below last year's level of 2,711, and 287 Bcf (12.0 percent) above the 5-year average inventory level of 2,397 Bcf for the report week.



U.S. Natural Gas Prices					
Benchmark	Jun 25	Jun 28	Jun 29	Jun 30	Jul 1
Henry Hub cash, spot	4.84	4.84	4.68	4.56	4.55
Jul futures contract	4.861	4.717	exp	exp	exp
Aug futures contract	4.908	4.733	4.548	4.616	4.854
Sep futures contract	4.943	4.772	4.587	4.652	4.880
<b>'Inside FERC' - Jul</b>					
Houston Ship Channel	<b>4.69</b>				
Henry Hub	<b>4.73</b>				
Chicago city-gates	<b>4.72</b>				
ANR Pipeline, ML7	<b>4.91</b>				
U.S. national average	<b>4.56</b>				
*TCPL Alberta, AECO-C#	<b>3.75</b>				

Natural Gas Prices in US \$/MMBtu  
\*TCPL Alberta, AECO-C# prices are in Canadian\$/GJ

U.S. EIA Energy Price Outlook				
	Year			
<i>forecast as of JUNE 2010</i>	2008	2009	2010	2011
Crude oil; WTI, \$/bbl	99.57	61.66	78.75	82.50
Natural gas; Henry Hub, \$/mcf	9.13	4.06	4.49	5.06





# 2010 GLOBAL ETHERS MARKET STUDY

PREPARED BY JIM JORDAN & ASSOCIATES

\*\*\*NOW AVAILABLE\*\*\*

## ETHERS: NEITHER GONE NOR FORGOTTEN

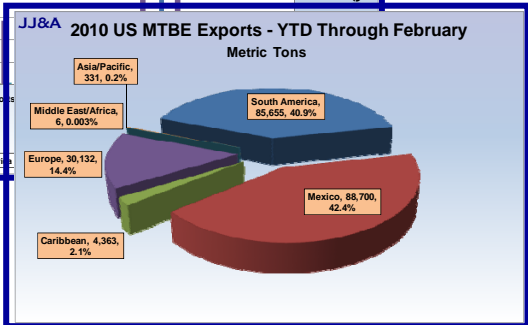
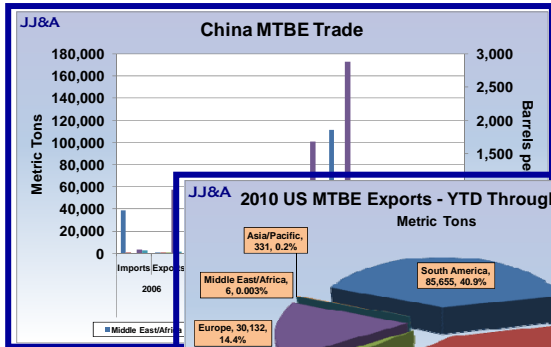
Ethers, such as methyl tertiary butyl ether (MTBE) and ethyl tertiary butyl ether (ETBE), contribute three key elements to the gasoline pool: octane, oxygen, and supply extension. In addition, ETBE provides the growing biofuels market with an easy path for integrating renewable fuels into gasoline. From a producer perspective, ethers provide an upgrade path for conversion of low-value feedstocks, butanes/isobutylene, and natural gas-derived methanol into a premium fuel component. From a consumer perspective, ethers provide a high-octane, non-sulfur, and non-aromatic oxygenate blendstock.

With a current global production capacity of approximately 18 million metric tons per year, ethers are a significant component of the gasoline market. Although blending of MTBE into gasoline in the United States has been discontinued, the European Union has affirmed the continued use of ethers in gasoline blending, and the Middle East, South America (excluding Brazil), Mexico, and a large portion of Asia remain consumers of MTBE. There are numerous world-scale MTBE plants in the Middle East, Europe, and Asia, and several major MTBE producers in the USA continue to operate as export-only facilities.

The **2010 Global Ethers Market Study** utilizes a wealth of both public and private information to provide a comprehensive look at the ether markets. The study presents in-depth information for each regional market, including trade patterns, historical pricing, blend value comparisons, plant capacity information, and price forecasts for the United States, European Union, and parts of Asia. Production economics are addressed, and government policies for each region are presented with an emphasis on the incentives affecting methanol and ethanol feedstock decisions.

**9. Attached CD Files**

- JJ&A World Ethers Plant List
- Global MTBE Price History
- Global Methanol Price History
- US Methanol & Natural Gas Price History
- EU MTBE Trade Tables
- US MTBE Trade Tables
- China MTBE Trade Tables
- South Korea MTBE Trade Tables
- Taiwan MTBE Trade Tables



View complete information about the study at [www.jordan-associates.com](http://www.jordan-associates.com)