

## MINUTES OF THE SENATE AGRICULTURE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on January 25, 2006 in Room 423-S of the Capitol.

All members were present except:

Janis Lee

Committee staff present:

Raney Gilliland, Kansas Legislative Research  
Lisa Montgomery, Office of Revisor of Statutes  
Judy Seitz, Committee Secretary

Conferees appearing before the Committee:

Proponents:

Kenlon Johannes, Kansas Soybean Association

Neutral:

Representative Tom Sloan  
Jeff Swearingen, Northeast Kansas Bioenergy LLC (NEK BIO)  
Jere White, Kansas Corn Growers Association/Kansas Grain Sorghum Producers Association  
Brad Harrelson, Kansas Farm Bureau  
Duane Simpson, Kansas Association of Ethanol Processors

Written testimony was provided to the Committee by:

Sandy Braden, Alliance of Automobile Manufacturers (Attachment 1)

Others attending:

See attached list.

Chairman Taddiken asked for any bill introductions. There were none.

He then asked that the hearing be opened on **SB 387 - Requiring motor fuels sold in Kansas to contain ethanol or biodiesel**. This bill came out of the Select Joint Committee on Energy. Chairman Taddiken said that a number of bills came out of that Committee and all bills would be heard in order to put together a cohesive plan.

Representative Tom Sloan, Chairman of the Select Joint Committee on Energy, reported some of the issues discussed:

increasing existing energy production (oil & gas);  
encouraging incentives for energy conservation; and  
increasing the use of renewable energy.

Representative Sloan said the Committee was supportive of incentives to develop a market for ethanol or biodiesel fuels, but not in support of mandates. Which comes first? Do you create a product and allow infrastructure to come along so that customer demand can be met or do you create an infrastructure so that when the product is available consumers can take advantage of it? The Committee is trying to provide options or different ways of looking at this issue. (Attachment 2)

Representative Sloan answered questions.

Kenlon Johannes, CEO, Kansas Soybean Association spoke in support of **SB 387**. He said the mandate would have positive effects by cleaning our air and providing economic development for the state. He provided a report on the environmental impact in Kansas. (Attachment 3)

Mr. Johannes stood for questions.

CONTINUATION SHEET

MINUTES OF THE Senate Agriculture at 8:30 a.m. on January 25, 2006 in Room 423-S of the Capitol.

Jeff Swearingen, Board Member of the Northeast Kansas Bioenergy LLC (NEK BIO) spoke neutrally regarding **SB 387**. He said the following questions should be asked requiring B2 diesel blends:

- Is there enough biodiesel to satisfy a B2 blend in Kansas?
- What would the impact of B2 have on a user's engine?
- What would be the cost?

Mr. Swearingen also said the petroleum industry needs to answer questions regarding adequate supply, quality and cost of the fuel. (Attachment 4)

Mr. Swearingen was open for questions.

Jere White, Executive Director of the Kansas Corn Growers/Kansas Grain Sorghum Producers Association (AEP) spoke neutrally regarding **SB 387**. He had some concerns are on page 2, beginning on line 14, (d) regarding prohibiting the addition of ethanol to an oxygenated fuel. This also appears again on lines 31 and 32. He also said that he does not understand the rationale for requiring that non-oxygenated gasoline be premium grade.  
(Attachment 5)

Mr. White stood for questions.

Brad Harrelson, State Policy Director, Kansas Farm Bureau spoke regarding **SB 387**. The KFB is neutral regarding this bill. (Attachment 6) He expressed appreciation to the Legislature for the past support for bio-fuels and the KFB remains committed to supporting good public policy that encourages bio-fuel consumption.

There were no questions for Mr. Harrelson

Duane Simpson, Vice President of Government Affairs, Kansas Association of Ethanol Processors, presented neutral testimony on **SB 387** (Attachment 7). He said the Kansas AEP are concerned with the feasibility of this bill. He stated that perhaps the KAEP could support this mandate at a later time; however the infrastructure to implement this mandate is not currently present.

Mr. Simpson took questions.

The hearing on **SB 387** will be continued to Tuesday.

The meeting was adjourned at 9:28 a.m. The next meeting is Tuesday, January 31.

# SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: January 25, 2006

NAME	REPRESENTING
Duane Simpson	K AEP
Lindsey Douglas	Hein Law Firm
CV Cotsoradis	KDA
Patricia Platt	KDOR
Edie Martin	KDOR
Sandy Braden	<del>KAEP</del> Alliance of Auto Manufacturers
GINA BOWMAN-MORRILL	COFFEYVILLE RESOURCES
Mary Jane Stankiewicz	KAEP
JEFF SWEARINGEN	NORTHEAST KANSAS BIOENERGY LLC
Janna Dunbar	KDOC
Janet Forge	KS Grape + Wine Advisory Council
Erik Wisner	KDA
LON STANTON	NORTHERN NATURAL GAS Co
Tom Whittaker	KS MOTOR CYCLIST ASSN.
Ken PETERSON	KS Petroleum Council
Tom Palace	PMCA OF KS
Jere White	KCGM - KGSPIA
Kenlon Johannes	Kansas Soybean Association
BRAD HARRELSON	KFB
Feslie Kaufman	KS Coop Council



# GACHES, BRADEN, BARBEE & ASSOCIATES

PUBLIC AFFAIRS & ASSOCIATION MANAGEMENT

825 S. Kansas Avenue, Suite 500 ♦ Topeka, Kansas 66612 ♦ Phone: (785) 233-4512 ♦ Fax: (785) 233-2206

Testimony of Sandy Braden  
On behalf of the Alliance of Automobile Manufacturers  
Before the Kansas Senate Agriculture Committee  
Neutral Position on Senate Bill 387

January 25, 2006

Thank you Mr. Chairman and members of the Senate Agriculture Committee for the opportunity to present information to the Committee in regard to SB387.

The Alliance of Automobile Manufacturers is a trade association of 9 car and light truck manufacturers including the BMW group, DaimlerChrysler, Ford Motor Company, General Motors, Mazda, Mitsubishi Motors, Porsche, Toyota, and Volkswagen.

The Alliance applauds the Agriculture Committee for its efforts to support efforts to finding alternatives to gasoline for internal combustion engines and to encourage the use of ethanol and biodiesel in the state of Kansas.

Automakers are proud that there are more than 3 million alternative fuel vehicles on the road today, and that number will grow as the fueling infrastructure is put into place.

U.S. motor vehicles are designed to accommodate ethanol-gasoline blends up to 10%. The Alliance does not suggest mandating the use of the ethanol product. Requiring E10 for a given area creates a boutique fuel market that is more susceptible to supply disruptions than conventional gasoline markets. The base gasoline that is used for blending with ethanol is specially blended for use with ethanol and cannot be sold without the ethanol.

Manufacturers are working hard to make passenger car diesel engines meet the current emissions standards and recognize the positive aspects of biodiesel. Again it would be advisable to allow time to perfect biodiesel test methods, market standards and production/blending quality practices.

The Alliance would prefer to see additional incentives for producers and distributors to provide the product and allow the consumer to choose the fuel product rather than a mandate to promote the products.

Thank you for your consideration.

Sandy Braden

*Senate Agriculture Committee  
1-25-06*

*Attachment 1*

**TOM SLOAN**  
 REPRESENTATIVE, 45TH DISTRICT  
 DOUGLAS COUNTY

STATE CAPITOL BUILDING  
 ROOM 446-N  
 TOPEKA, KANSAS 66612-1504  
 (785) 296-7677  
 1-800-432-3924

772 HWY 40  
 LAWRENCE, KANSAS 66049-4174  
 (785) 841-1526  
 sloan@house.state.ks.us



TOPEKA  
 HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
 CHAIRMAN: HIGHER EDUCATION  
 MEMBER: UTILITIES  
 ENVIRONMENT  
 AGRICULTURAL & NATURAL  
 RESOURCES BUDGET  
 KANSAS WATER AUTHORITY

Testimony Before Senate Agriculture Committee - January 25, 2006

Mr. Chairman, Members of the Committee: SB 387 is one of 16 bills and 3 resolutions recommended for introduction by the Select Joint Committee on Energy. The Committee made recommendations in five areas: Developing Energy Strategies, Increasing Energy Production in Kansas from Existing Hydrocarbon Fields, Increasing Production of Bio-Fuels and Renewable Energy, Increasing Investments in Energy Conservation and Efficiency, and Increasing Consumption of Bio-Fuels and Renewable Energy in Kansas and the U.S.

- 1) Developing Energy Strategies: Governors Graves and Sebelius have created the Kansas Energy Council by Executive Order. This group of stakeholders has essentially been charged with creating a state energy plan, but provided woefully inadequate resources. The Energy Committee recognized that developing a comprehensive energy plan is an unrealistic objective and therefore recommends statutorily creating an energy research group housed at, but independent of, the KCC and a stakeholder advisory group. The goal is to identify strategies to better accomplish progress in the areas listed above.
- 2) Increase Production from Existing Oil and Gas Fields: The Committee recommends that one percent of the severance tax (approximately \$1.2 million per year) be invested in research and pilot projects to increase production from and extend the lives of existing fields.
- 3) Increase Production of Bio-Fuels and Renewable Energy: Several bills have been introduced to provide tax incentives for ethanol and bio-diesel production, installation of facilities to handle such products, and incentives to promote consumption of such products. The Committee's objective is to expand the state's role in helping the private sector develop our natural and agricultural resources, thereby improving rural economic opportunities.
- 4) Increasing Energy Conservation and Efficiency Investments: The Committee recognized that increasing the availability of all types of energy is a benefit to the state and affected stakeholders, but that individual Kansans will benefit from programs that facilitate investments in energy conservation technologies. As energy prices continue to rise over time, the incentives proposed, especially to assist landlords to make investments on behalf of their tenants, can greatly benefit thousands of Kansas families.
- 5) Increasing Consumption of Bio-Fuels and Renewable Energy: Committee members recognized that two markets exist for energy produced in Kansas — a domestic market comprised of approximately 2.7 million Kansans and a U.S. market comprised of more than 320 million Americans. The Committee recommended measures that can increase the Kansas market

*Senate Agriculture Committee  
 1-25-06  
 Attachment 2*

to stimulate development of bio-fuel and renewable energy investments (with corresponding tax and employment benefits), and measures to facilitate Kansans' ability to penetrate regional and national markets. To that end, extensive work has been done previously on developing a more robust electric transmission system and Committee recommendations address facilitating access by bio-fuel and renewable energy producers to national markets.

Mr. Chairman, SB 387 is the first bill recommended by the Special Joint Energy Committee to receive a hearing in your committee. As you know, the crux of the bill is a mandate that all gasoline sold in Kansas after January 1, 2010, contain at least 10 percent ethanol and that all diesel fuel sold after January 1, 2010, must contain at least 2 percent bio-diesel.

The Energy Committee was unanimous in support of incentives to develop a market for such fuels that will further stimulate investments in production with resulting improved prices that farmers receive for commodities. However, the Committee was deeply divided over the issue of mandates.

Discussion focused on the greater good of stimulating bio-fuel production by creating a domestic market (as Minnesota has done) versus the philosophical objection to mandating action. Advocates believe that establishing a date four years from now allows the production, distribution, and retail outlet infrastructures to be developed; opponents believe that such actions are not the responsibility of the state.

As you consider this bill, realize that incentives are provided in other bills for bio-fuel production, terminal blending, and retail infrastructure development. Also please consider whether tax credits without assurance that a market will exist will be sufficient to stimulate the desired private sector investment.

You may also wish to consider alternatives to the mandate — change the tax structure on bio-fuels, provide tax credits for consumers using bio-fuels, seek a multi-state compact with other Midwestern states to jointly develop a mandate, or any number of other options.

A majority of Special Joint Committee on Energy members believe that the greater good for our state lies in creating markets to stimulate rural economic benefits. Our task is complete if you consider the value of such a policy compared to alternatives and consequences for non-action.

Mr. Chairman, I appreciate the patience and attention of the Committee.

**Kansas Senate Agricultural Committee Hearing**  
**January 25, 2006**

Chairman Taddiken and members of the Kansas Senate Agriculture Committee, my name is Kenlon Johannes and I serve as the CEO of the Kansas Soybean Association. I am here to offer support of the biodiesel portion of Senate Bill 387.

While one is always hesitant of passing legislation mandating a product, the Kansas Soybean Association would support the B2 mandate should the proper scenarios be in place. Current Kansas legislation mandating state entities to use 2% or higher blends of biodiesel has been extremely effective in commercializing biodiesel in Kansas and has made the product available in most areas of Kansas. KDOT originally self mandated itself to use biodiesel and then supported the statewide mandate of the use of biodiesel by all state fleets. There is a track record in Kansas of a successful biodiesel mandate.

We realize that this legislation comes as a recommendation of the newly formed Select Joint Committee on Energy and we applaud you for putting this energy option before us as one possible solution to Kansas' energy savings and independence program. Many options need to be brought forward and while this option may be the most creative, we feel it opens the discussion on Kansas' energy situation.

One other state, Minnesota, who had a previous mandate for the use of 10% ethanol in all its gasoline, recently enacted a 2% biodiesel mandate. This legislation has proved workable and has resulted in the construction of biodiesel plants in the state making them less dependent on imported energy and spurring rural economic development there.

Since biodiesel is a cleaner burning fuel, I have included a background sheet detailing the effects of a Kansas biodiesel mandate on Kansas' air quality.

Should we all be able to garner support from petroleum distributors and retailers, farmers, consumers and others to this proposed biodiesel mandate it could have positive effects for Kansas, cleaning our air and providing economic development for the state. If the provisions within the bill that may or are causing concern can be corrected. The Kansas Soybean Association would be willing to work with the committee and others to garner support for the bill.

Kansas Soybean Association  
2930 SW Wanamaker Drive  
Topeka, KS 6614-4116  
785-271-1030

*Senate Agriculture Committee*  
*1-25-06*

*Attachment 3*

# KANSAS SENTATE COMMITTEE ON AGRICULTURE

## B2 REQUIREMENT IN KANSAS

January 24, 2006

Mr. Chairman and Committee Members:

My name is Jeff Swearingen, and I am a board member of Northeast Kansas Bioenergy LLC (NEK BIO). NEK BIO's intent is to raise enough money to build a 30 million gallon per year biodiesel facility in Northeast Kansas. We currently are not taking a position concerning the State's proposed B2 (2% biodiesel blend) requirement. However, we do want the Legislature to ask some important questions when crafting and debating this bill.

The biodiesel industry must be able to answer several questions before you consider requiring B2 diesel blends. First, is there enough biodiesel to satisfy a B2 blend in Kansas? It's unwise to require B2 until there is enough supply to adequately meet demand (Minnesota's B2 requirement didn't kick in until there was adequate production within the state). In 2003, Kansas distillate fuel use was 706 million gallons. A B2 blend would require 14 million gallons at that usage rate. The National Biodiesel Board (NBB) reported 2004 sales of B100 at 25 million gallons. They project 2005 sales at 75 million gallons. Some think that domestic biodiesel production would increase until nearing the 260 million gallon mark, at which time strains on domestic feedstock supply would pressure biodiesel production to dramatically slow down.

A second question might be what impact will B2 have on a user's engine. B2 and higher blends greatly improve the fuel's lubricity and cetane. However, biodiesel can gel in very cold temperatures, just as the common #2 diesel does. Although B100 has a higher cloud point than #2 diesel fuel, typical blends of 20% biodiesel are managed with the same fuel management techniques as #2 diesel. Blends of 5% biodiesel and less have virtually no impact on cold flow. It is very important that the biodiesel be of high quality. The Minnesota B2 requirement states that the fuel must meet ASTM D6751-02, however, there is no requirement for testing of quality. The NBB has a voluntary quality program called BQ-9000. It combines the ASTM specs with a program that includes storage, sampling, testing, blending, shipping, distribution, and fuel management practices. Kansas might consider requiring biodiesel suppliers to meet the BQ-9000 standard to prevent poor quality biodiesel from being sold at the retail level. On a personal note, my family's farm operation switched to B2 in 2005, and we are very pleased with it so far.

A third question would obviously be what is the cost. Let's look at some fabricated numbers. If petroleum diesel cost \$1.00/gallon, and biodiesel cost \$3.00/gallon, then B2 would cost \$1.04, or a 4 cents per gallon premium. If petroleum diesel cost \$2.00/gallon

Senate Agriculture Committee  
1-25-06  
Attachment A



and biodiesel cost \$3.00/gallon, then B2 would cost \$2.02, or a 2 cents per gallon premium. How much will it cost the blenders to incorporate B2 into their fuel? There is currently an equivalent of \$1.00 per B100 gallon credit given to blenders. This provision by the Federal Government expires at the end of 2008. Unless it is renewed at that time, blenders will not be able to recoup the additional expense of blending B2.

I think it would be good to ask some questions of the petroleum industry as well. First, what will they be doing to meet the lubricity needs of diesel fuel when the Ultra Low Sulfur Diesel (ULSD) requirements take effect in June of 2006 for on-road use? How expensive is their solution compared to biodiesel? Is their solution based on toxic and hazardous chemicals that could mirror the tragic path that MTBE has taken? What are they currently doing to address the quality of diesel fuel in this country (the Infineum Worldwide Diesel Fuel Quality Survey of 2002 shows diesel fuel in the U.S. and Canada as having markedly lower cetane and lubricity characteristics as compared to the industrialized countries in Europe, South America, and Asia. This was presented at the 11<sup>th</sup> Diesel Engine Emission Reduction Conference in Chicago in August 2005). I am unable to answer any of these petroleum industry questions, but I think they are all valid and deserve an honest answer to help frame the issues surrounding a B2 requirement.

If the Kansas Legislature is serious about considering statewide B2 requirements, I hope you address at least two issues that aren't currently in the proposed bill. Those two issues are adequate biodiesel supplies, and adequate biodiesel quality. And ultimately, it comes down to cost. What is the cost of agriculture's solution to diesel fuel lubricity and cetane requirements as compared to the petroleum industry's solution? Kansas truckers, farmers, and other diesel fuel consumers are counting on you to make decisions in their best interest. I hope the above questions are seriously considered when debating such an important bill.

Thank you Mr. Chairman. I will be glad to answer any questions from the committee.



## WRITTEN STATEMENT

**TO:** Senate Agriculture Committee  
**FROM:** Jere White, Executive Director  
**DATE:** January 25, 2006  
**SUBJECT:** Senate Bill No. 387

---

The Kansas Corn Growers Association and Kansas Grain Sorghum Producers wish to submit this brief testimony in regards to S.B. 387, a bill that would place a requirement to use biofuels in Kansas. Neither organization has adopted policy that supports a requirement to use biofuels, such as those found in this bill. While not standing in support or opposition of the bill, we do have some specific concerns with a couple provisions of this bill, and will address them at this time.

First, on page 2, beginning on line 14, (d) would prohibit adding ethanol to an oxygenated fuel. This could effectively prohibit the blending of E-85, should all available blend stock be oxygenated. This issue appears again on lines 31 and 32. We are guessing that this would be an unintended consequence, and we would be opposed to this.

Second, we simply do not understand the rationale for requiring that non-oxygenated gasoline be premium grade, or at least 91 octane.

Mr. Chairman, members of the committee, our members have consistently stood in support of virtually all pro-ethanol legislation considered by this legislature. While we find ourselves in a unique, lack of position on this bill, as always, we stand ready to work with this body to find positive outcomes that would further promote the use of biofuels in Kansas. Thank you.

*Senate Agriculture Committee  
1-25-06*

*Attachment 5*





## Environmental Impact in Kansas

Biodiesel is a clean burning fuel for diesel engines made from domestically produced, renewable oils such as soybean oil. Biodiesel has no sulfur or aromatic compounds and already meets the new Environmental Protection Agency (EPA) ultra low sulfur diesel fuel proposed for introduction in 2006. Biodiesel can be used in existing diesel engines without modification. Biodiesel burns substantially cleaner than petroleum based diesel fuel, and is a powerful option for improving our environment.

Biodiesel can also be blended with diesel fuel as a fuel additive or extender. Burning 2% biodiesel in the 600 million gallons of diesel fuel used in Kansas each year will have significant positive environmental impacts. Burning just a 2% biodiesel blend in Kansas diesel fuel will curtail harmful tailpipe emissions. Annually, it will:

- Reduce poisonous carbon monoxide emissions by more than 600 thousand pounds.
- Reduce ozone forming hydrocarbon emissions by almost 68 thousand pounds.
- Reduce hazardous diesel particulate emissions by almost 53 thousand pounds.
- Reduce acid-rain causing sulfur dioxide emissions by more than 53 thousand pounds.

In its recently released low-sulfur diesel ruling for 2006 and beyond, EPA also states that certain compounds in diesel exhaust called polycyclic organic matter (POM) can have significant negative effects on reproductive, developmental, immunological and endocrine (hormone) systems in both humans and wildlife. These POMs are found in diesel exhaust as gases as well as in deposits on particulate matter. EPA states that reducing particulate matter would reduce the health effects of harmful POM that ends up in lakes and streams—natural resources that are extremely important to Kansas. Not only does biodiesel reduce particulate matter as stated above, but burning just 2% biodiesel in Kansas would have the following additional impact on the 12 million gallons of diesel fuel it would replace:

- Reduce harmful and cancerous POM impacts to streams, wildlife and humans by more than 80% compared to diesel fuel.

Biodiesel has been appropriately characterized as "liquid solar energy." Biodiesel is produced from renewable sources grown and harvested each year such as soybeans in what experts call a closed loop carbon cycle—carbon dioxide is taken up by soybeans as they grow and is released back into the air when biodiesel is burned. In a joint study, the US Departments of Energy and Agriculture found biodiesel reduces Carbon Dioxide 78% over its entire life cycle compared to petrodiesel and has a positive energy balance of 3.2 to 1 (3.2 units of energy are produced for every one unit of energy needed for biodiesel production, while diesel is 0.83 to 1). Therefore, burning 2% biodiesel in Kansas would result in:

- Reducing Life Cycle Carbon Dioxide emissions more than 190 million pounds annually.
- Extending the fossil diesel supply almost four-fold for every gallon of diesel replaced by biodiesel.

*PUBLIC POLICY STATEMENT*

SENATE COMMITTEE ON AGRICULTURE

RE: SB 387 – an act relating to motor fuels; requiring motor fuels sold in state to contain ethanol or biodiesel.

**January 25, 2006**  
**Topeka, Kansas**

**Testimony provided by:**  
**Brad Harrelson**  
**State Policy Director**  
**KFB Governmental Relations**

---

Chairman Taddiken, and members of the Senate Committee on Agriculture, thank you for the opportunity to appear today and offer testimony on SB 387. I am Brad Harrelson, State Policy Director—Governmental Relations for Kansas Farm Bureau. KFB is the state's largest general farm organization representing more than 40,000 farm and ranch families through our 105 county Farm Bureau Associations.

On behalf of Kansas Farm Bureau (KFB) I would like to extend our appreciation to the Kansas Legislature for it's past support for bio-fuels. You undoubtedly share our firm commitment to this valuable, renewable energy resource. We at KFB stand ready to assist you in your mission to promote these alternative fuels.

Ethanol is unquestionably, one of the most notable success stories in agriculture today. Ethanol demand continues to surge, and the industry is setting unprecedented production records. Consumption of this high-octane, low-emission fuel not only reduces our dependence on foreign oil; it enhances market demand for corn and other grains, which is good for Kansas producers, and the rural Kansas economy.

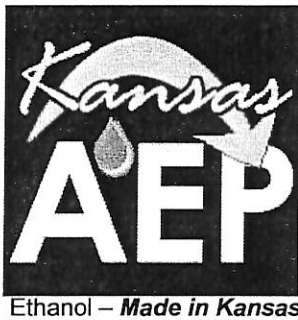
In the 2005 session KFB successfully supported repeal of the ethanol labeling requirement (E-10 or less). As a consequence, ethanol consumption increased nearly

*Senate Agriculture Committee*  
*1-25-06*  
*Attachment 6*

700 percent in corresponding months from the prior year. We also continue statewide promotional programs that provide factual product information to consumers refuting common myths and educating about the benefits of bio-fuel. Ethanol is now, a refined, consistent, high-quality product, much improved from the early "gasohol" days. In fact, all automobile manufacturers warranty the use of ethanol-blended fuel, which is found in over 30% of all fuel sold nationwide. Similar successes are being experienced with broader acceptance and availability for bio-diesel, which is particularly important when agricultural input and transportation costs continue to rise in staggering proportions. While these statistics are most encouraging, we believe there is more that can be done to promote bio-fuel production and consumption.

However, we are not prepared today to seek a 100% bio-fuel mandate by 2010 as contemplated in SB 387. KFB remains consistent and committed to supporting good public policy that encourages bio-fuel consumption, but have yet to conclude that this is the best path for the state of Kansas or fuel consumers at this time. Logical assumptions would lead you to conclude such a mandate would be good for Kansas farmers. But, important questions should be answered first. Among these: Does the infrastructure exist to meet the demand?; What is the anticipated impact on overall fuel price?; Is there public support for such a policy?; and, What experiences have been realized in other states where similar policies have been adopted? Until answers to these questions and others are resolved, we prefer that market forces, and other proactive legislative initiatives build demand for bio-fuels in Kansas.

In summary, thank you for your consideration, your support of bio-fuels and Kansas agricultural producers. We stand ready to assist as you consider these important measures. Thank you.



# Association of Ethanol Processors

## Testimony Regarding Senate Bill 387 Senate Agriculture Committee – January 25, 2005 Senator Mark Taddiken, Chairman

Thank you Mr. Chairman, members of the committee, my name is Duane Simpson. I am the Vice President of Government Affairs for the Kansas Association of Ethanol Processors. Our voluntary association represents all of the major ethanol plants in Kansas producing more than 94% of the ethanol made in Kansas, roughly 160 of the 170 million gallons. We also represent the ethanol plant manufacturers and other allied industries that build the ethanol industry in this state.

Our members make a living selling ethanol and would certainly benefit from every gallon of gasoline being sold in Kansas containing at least 10% ethanol. However, we are concerned about the feasibility of SB 387. For example, will this bill cause fuel shortages in small rural towns? Will all of the blenders in Kansas have the capability of meeting the E-10 demand by 2010? What will happen to out-of-state blenders? Will they continue to sell fuel into Kansas? In addition, we are concerned that mandating the use of ethanol could cause a public backlash against our product at a time when the industry is spending millions to improve consumer acceptance of ethanol. Finally, should the Legislature decide to pursue SB 387, we have some concerns about the language of the bill.

Specifically, on Page 2 lines 6-17, the bill would prohibit the blending of E-85 fuel in Kansas.

Section 2 (3):

(c) For purposes of enforcing the minimum ethanol requirements of subsection (a), a gasoline/ethanol blend will be construed to be in compliance if the ethanol content, exclusive of denaturants and permitted contaminants, comprises not less than 9.2% by volume and not more than 10% by volume of the blend as determined by an appropriate United States environmental protection agency or American-society of testing materials standard method of analysis of alcohol/ether content in engine fuels.

(d) When gasoline contains an oxygenate, a person responsible for the product shall not blend the product with ethanol or with any other oxygenate after it is transferred or otherwise removed from a refinery or terminal.

Obviously, supporters of ethanol use in Kansas would oppose any legislation that in its final form prohibited E-85. We do not believe the intent of SB 387 is to ban E-85, but as drafted it would have that unfortunate effect.

Senate Agriculture Committee  
1-25-06  
Attachment 7

In addition, Page 3 lines 1-15 require fuel sold for use in small engines or in collector cars to be premium grade.

Section 2 (3):

(i) A person responsible for the product may offer for sale, sell or dispense at a retail gasoline station for use in collector vehicles or vehicles eligible to be licensed as collector vehicles, or small engines, gasoline that is not oxygenated in accordance with this section if the person meets the conditions in paragraphs (1) through (4).

(1) If the nonoxygenated gasoline is for use in a small engine, it must be dispensed into a can with a capacity of six or fewer gallons;

(2) the nonoxygenated gasoline must be unleaded premium grade;

(3) no more than one storage tank on the premises of the retail gasoline station may be used for storage of the nonoxygenated gasoline offered for sale, sold or dispensed by the station; and

(4) the pump stands must be posted with a permanent notice stating:

“NONOXYGENATED GASOLINE. FOR USE IN COLLECTOR VEHICLES OR VEHICLES ELIGIBLE TO BE LICENSED AS COLLECTOR VEHICLES, OR SMALL ENGINES ONLY.”

This is unnecessary and the labeling requirement exacerbates the type of confusion the Legislature was attempting to avoid last year when it removed the ethanol warning label. Once again, if an engine is capable of using today's premium unleaded fuel, it's capable of using E-10. See attachment.

As the committee will learn over the next few weeks, there are several proposals designed to increase production and usage of ethanol in Kansas. While each of these proposals have a certain degree of merit, it is difficult for legislators and those of us representing various sectors of the industry to adequately consider all of the potential unintended consequences of each proposal. A better system of proposing and evaluating ethanol policy can streamline this process and make it easier for state to work towards a stronger ethanol industry in Kansas. At some point, we hope this committee will consider legislation that would do just that – create a Kansas Ethanol Council to, among other things, serve as an intermediary that evaluates and these types of proposals and makes recommendations to the Legislature that can be supported by all interested parties.

In summary, KAEP could at some point support mandating a minimum of 10% ethanol to be blended in every gallon of gasoline. At this time, however, we will remain neutral on SB 387. Unfortunately, the infrastructure to implement a mandate is not present today and we are not sure it will be present in 2010. Finally, should the Legislature decide to proceed with this bill, we would urge the committee to amend the bill to allow E-85 blending and remove any language regarding collector cars or small engines.

## The benefits of E-10 Unleaded are clear.

**Cleaner air:** The use of E-10 Unleaded reduces toxic emissions in engine exhaust—helping keep Kansas' air clean.

**Higher octane:** The ethanol in E-10 Unleaded adds two to three points of octane to ordinary unleaded gasoline—helping improve engine performance.

**Every major automaker in the world approves its use:** From Chrysler to Volvo, every car maker says E-10 Unleaded is a good fuel choice—and many recommend its use for its clean air benefits.

**Cleaner fuel injectors:** E-10 Unleaded helps prevent the build-up of power-robbing deposits in fuel injection systems—keeping important engine parts cleaner.

**Kansas-made product:** The ethanol in E-10 Unleaded is made right here in Kansas from Kansas corn and grain sorghum—helping Kansas agriculture and boosting our economy.

**Reduced dependence on foreign oil:** Since E-10 Unleaded is made with renewable resources we grow right here, we help reduce our reliance on foreign oil.

**Prevents gas line freeze up:** The ethanol in E-10 Unleaded suspends moisture in your fuel system—eliminating the need for gas tank additives in cold weather.

## Here's what a national JetSki® competitor says about E-10 Unleaded with Ethanol:

"As a championship-level JetSki competitor, I continue to be amazed at the number of people who think you shouldn't use E-10 Unleaded with Ethanol in small engines.

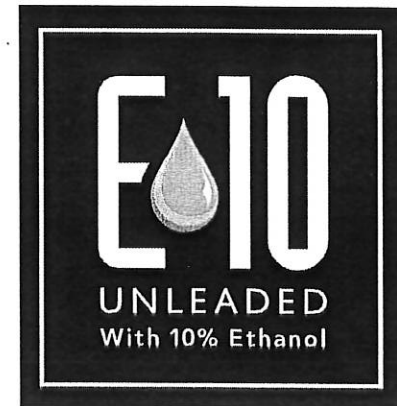
"I've used E-10 Unleaded with Ethanol in my JetSki for years. E-10 Unleaded gives me the high octane performance I need in competition.

"There's no doubt. E-10 Unleaded with Ethanol is a good choice for small engines. And I've got a shelf full of trophies to prove it."

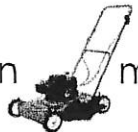








**Jeff Bittinger**  
JetSki Competitor  
Fremont, Nebraska

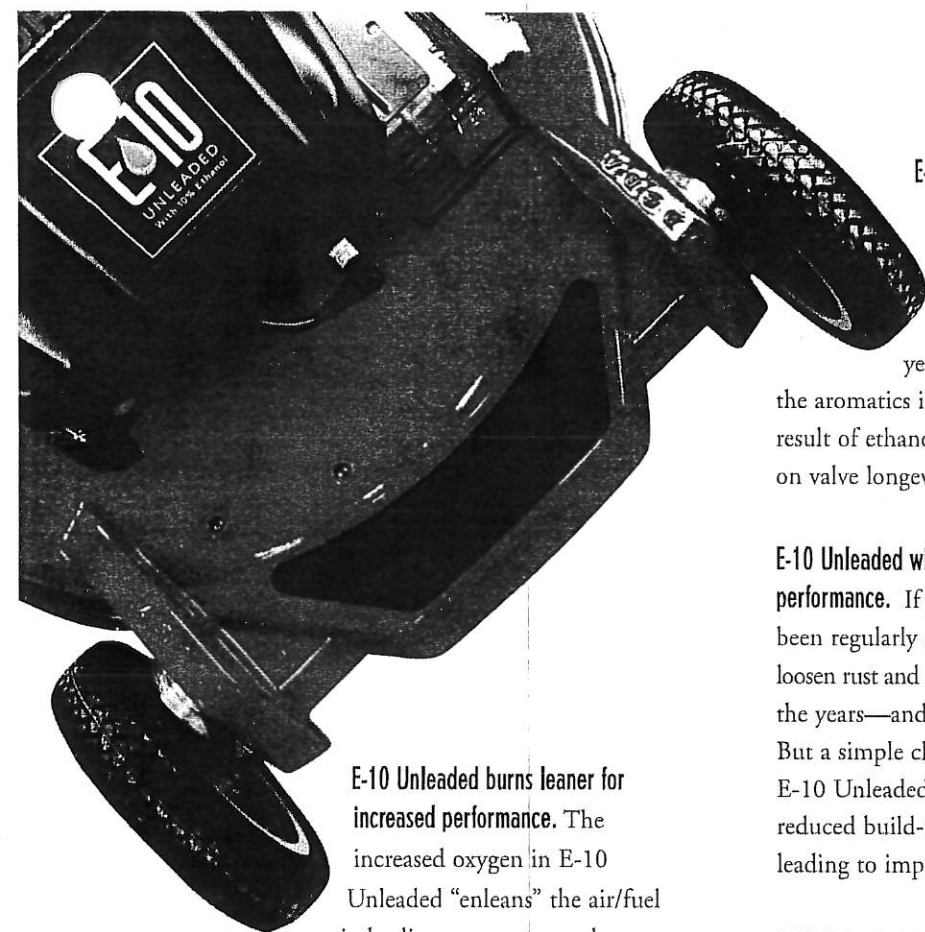
Let's get with it,  
Kansas! 



## Works great in small engines like...

Your lawn  mower. Your  motorcycle. Your  chainsaw. Your  ATV. Your motor  boat. Your  weed trimmer. Your personal  watercraft. Your snowmobile  ...





**E-10 Unleaded burns leaner for increased performance.** The increased oxygen in E-10 Unleaded “enleans” the air/fuel ratio leading to more complete combustion and generally increased performance. The effect is the same on your engine as if the outside air temperature drops or operating altitude is decreased. A simple carburetor adjustment or change in jet size will help you enhance performance to compensate for excessive enleanment if necessary.

**E-10 Unleaded does not damage engine parts or fuel system components.** E-10 Unleaded is compatible with all fuel system components that have been manufactured in the last 15 years. Older engines may be affected by the aromatics in unleaded gasoline, but this is not a result of ethanol. Ethanol also has no effect on valve longevity.

**E-10 Unleaded will clean a dirty fuel tank helping improve performance.** If your fuel tank is dirty or has not been regularly maintained, using E-10 Unleaded may loosen rust and contaminants that have built up over the years—and your fuel filter may clog initially. But a simple change in filter—and continued use of E-10 Unleaded—will ensure a clean tank and reduced build-up of contaminants in the future, leading to improved performance.

**E-10 Unleaded does not separate from two-stroke engine oil mixtures.** The ethanol in E-10 Unleaded does not affect the mixture of gasoline and two-stroke engine oil unless there is a high level of water in the gasoline (above 0.5 percent). By comparison, ordinary gasoline can only hold 0.02 percent water. So E-10 Unleaded is even more water-tolerant.

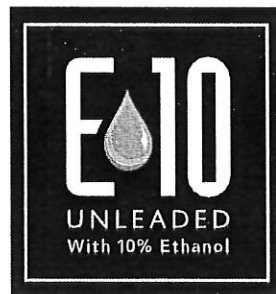
**E-10 Unleaded eliminates the need for gas line antifreeze.** The ethanol in E-10 Unleaded suspends moisture, which allows moisture to burn through combustion instead of collecting in the gas line and freezing.

**E-10 Unleaded reduces toxic emissions.** E-10 Unleaded burns cleaner, producing less toxic exhaust and reducing carbon monoxide emissions—and that’s good for everyone who breathes. This is especially significant when you consider that a lawnmower emits over 10 times more pollution than a car!

If you happen to spill E-10 Unleaded in a lake, the ethanol in the fuel will simply evaporate or dissipate—reducing the environmental damage that occurs with ordinary gasoline.

**E-10 Unleaded requires no special care.** With E-10 Unleaded, you treat your fuel supply just as you treat ordinary unleaded gasoline. Simply use season-appropriate fuel and normal common sense procedures regarding gasoline storage and fuel system maintenance.

The facts about



in small engines.

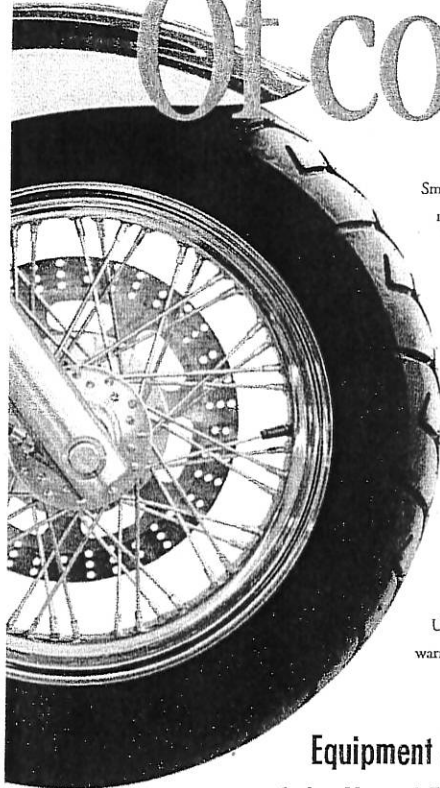
7-4

Can you use



in your small engines and power equipment?

Of course you can!



Small engines—from lawnmowers to outboard motors, from motorcycles to snowmobiles—need to perform using gasoline that's generally available to the public. Since E-10 Unleaded is available all across the United States, it makes sense that manufacturers of small engines and power equipment have built their products to run on this renewable, clean-air fuel.

The composition of gasoline has changed dramatically in the past decade. Automakers changed their owner's manual language to reflect these changes. But due to the diversity of the small engine market, owner's manuals for many non-automotive engines continued to include cautionary language regarding E-10 Unleaded long after the owner's manuals for automobiles fully endorsed E-10 Unleaded.

The fact is that a 10% ethanol blend (E-10 Unleaded) is an approved fuel that is covered by engine warranties that approve the use of unleaded gasoline. And that includes small engines, too.

### Equipment & Engine Manufacturers' Approval of the Use of E-10 Unleaded with Ethanol

POWER EQUIPMENT	E-10 Unleaded Approval	POWER EQUIPMENT	E-10 Unleaded Approval
Am. Yard Prd./Roper/Rally	YES *	Simplicity	YES
Ariens	YES †	Snapper	NM
Bolens/Troy-Bilt	YES *	Sühl Inc.	YES
Briggs & Stratton	YES	Tecumseh	YES *
Coleman	YES *	Toro	YES
Cub Cadet	NM	<b>RECREATIONAL</b>	
Dixon	YES	ArcticCat (Arctco)	YES *
Echo	YES	Honda	YES
Grasshopper	NM	Kawasaki	YES
Homelite	YES	Polaris	YES *
Honda Power Equipment	YES	Skidoo/Bombardier	YES
John Deere (4-Stroke)	YES	Suzuki	YES *
Kawasaki	YES	Yamaha	YES
Kohler	YES	<b>BOATS/MARINE</b>	
Kubota	NM	Honda	YES
Lawnboy	YES	Kawasaki	YES
McCulloch	YES *	Mercury	YES *
MTD	YES	OMC (Johnson/Evinrude)	YES *
Onan	YES *	Pleasurecraft	YES *
Poulan/Weedeater	NM	Tigershark (Arctco)	YES *
Ryobi	YES *	Tracker	YES *
Sears	YES *	Yamaha	YES *
Shindaiwa	NM		

YES Permitted/approved  
 YES † Engine manufacturer indicates approval but no indication from equipment manufacturer; use of E-10 Unleaded does not void warranty  
 YES \* Approved with some minor guidelines or suggested modifications  
 NM Not mentioned in the owner's manual, but use of E-10 Unleaded does not void warranty

This information is based on a review of each manufacturer's equipment owner's manuals. Wording may vary slightly across a manufacturer's product line but is generally similar if not identical. Position and wording for a manufacturer's two-stroke versus four-stroke models may vary.

Additionally, some manufacturers use several engine suppliers (e.g., Briggs & Stratton, Tecumseh, and Kohler) and may utilize the applicable engine manufacturer's fuel recommendations for models with those engines. It should be noted that these recommendations are for new or late model equipment and may or may not apply to earlier models.

This information was gathered by Downstream Alternatives, Inc. and through other sources.

### E-10 Unleaded In Motorcycles

Following are excerpts from motorcycle owner's manuals regarding the use of E-10 Unleaded:

#### Harley-Davidson

"Gasoline/ethanol blends can be used in your motorcycle if the ethanol content does not exceed 10%. . . 'Reformulated gasoline' is a term used to describe gasoline blends that are specifically designed to burn cleaner than other types of gasoline, leaving fewer 'tailpipe' emissions. They are also formulated to evaporate less when you are filling your tank. Reformulated gasolines use additives to 'oxygenate' the gas.

"Your motorcycle will run normally using this type of gas and Harley-Davidson recommends you use it when possible, as an aid to cleaner air in our environment."

#### Honda

"You may use gasoline containing up to 10% ethanol by volume. Gasoline containing ethanol may be marketed under the name Gasohol."

#### Kawasaki

"Gasoline containing up to 10% ethanol (alcohol produced from agricultural products such as corn) . . . is approved for use."

#### Suzuki

"Oxygenated fuels . . . may be used in your motorcycle without jeopardizing the New Vehicle Limited Warranty or the Emission Control System Warranty. . . Blends of unleaded gasoline and ethanol . . . may be used in your motorcycle if the ethanol content is not greater than 10%. . . To help clean the air, Suzuki recommends that you use the oxygenated fuels."

#### Yamaha

"Gasohol containing ethanol can be used if ethanol content does not exceed 10%."

Let's get with it, Kansas!



7-5