

OPEC RAKES IN BILLIONS, BUT BLAMES BIOFUELS... CONFUSED?

An Open Letter to the President of OPEC From the World's Biofuels Industries

Dear President Khelil:

It has been widely reported that the Organization of Petroleum Exporting Countries (OPEC) believes "the intrusion of bioethanol on (sic) the market" is responsible for 40% of the rise in world oil prices. Since you, as the head of OPEC, provide no explanation for what in our view constitutes such a self-serving and misleading statement that goes counter to any independent analysis of the fuels market today, one can only conclude that OPEC views competition with biofuels as a direct threat to the cartel you have created and continue to maintain.

Biofuels are at the forefront of breaking OPEC's grip on the world energy future.

We are only the first of the many competitors the cartel will face — competition you describe as "choking" oil demand. But the fact is for more than a generation, OPEC has held the world over a barrel. When it has suited the cartel, OPEC has forced the price of oil down, effectively killing off any alternatives that might prove competitive. But with global oil demand surging and supplies depleting, the future for many of the world's largest oil exporters is far from clear. New sources of energy are beginning to weaken OPEC's grip on the world and threaten to reduce the \$1.2 trillion OPEC nations will rake in this year from the exorbitant price of oil.

Biofuels are reducing global dependence on oil. According to the International Energy Agency, "biofuels have become a substantial part of faltering non-OPEC supply growth, contributing around 50% of incremental supply in the 2008-2013 period." Without the growing production and use of biofuels worldwide, IEA calculates that more than one million barrels per day of new oil production would be required. At \$140 per barrel, that would yield more than \$50 billion in additional revenue for your cartel members this year alone.

Competition is the antidote for cartels. The growing volume of biofuels in the global fuels market is helping to keep world oil and gasoline prices lower than OPEC may like. A recent Merrill Lynch analysis shows that biofuels keep world oil prices 15% lower than they otherwise would be. In Brazil, gasoline prices have not gone up in two years because of competition from ethanol. In the U.S. gasoline prices could be \$0.50 higher or more per gallon without biofuels. A respected economist has noted, without biofuels your crude oil prices would be \$35 per barrel higher. Or, put another way, today's ethanol is keeping oil prices 25% lower than you would like. On behalf of the world's energy users, we regret the inconvenience that competition may cause you.

Among many factors driving up oil prices, none involve biofuels. Indeed, the list of factors driving oil prices higher is long. It includes a weak dollar encouraging increased speculation, geopolitical concerns including a possible military conflict with Iran, cost overruns and persistent project delays in the world's oil patch, anxiety about scarce supplies and the fall off of long-term production, and robust demand growth in the developing world.

To sustainably supply the fuel needs of a growing world population, new renewable sources of energy must be brought to the marketplace. We are proud of our efforts to provide a lower priced, renewable fuel to the world today. As the world biofuels industry evolves, new feedstocks and technologies will usher in greater production and begin to supplant even larger volumes of petroleum. This movement toward diversified energy supplies, increased efficiency and greater competition is crucial to the sustainability of future generations, including those in OPEC nations.

Efforts to obfuscate and mislead the public about biofuels will do nothing to alleviate the energy crisis gripping the globe. We realize that biofuels may be reducing your windfall profits. But, perhaps, the time for OPEC to face some competition has finally arrived.

