EXHIBIT 18
DATE 2/10/05
HB 464

Top Ten Ethanol Myths
(SB 293-Black/HB 464-Bergren)

10. There are no problems in burning ethanol in vehicles
While most of the issues with burning ethanol blends in vehicles have been worked out, there are a few remaining issues to be resolved. There are still issues of vapor lock problems associated with the summertime blending of ethanol.

9. Ethanol belongs in a glass, not in a gas tank.
Not true. Certain areas of the county require reformulated fuels to improve air quality. Currently, reformulated gasoline requires the use of oxygenates. Clean burning fuels may be manufactured without the requirement for oxygenates. There needs to be a national solution that removes reformulated gasoline oxygenate requirement, has a renewable fuels requirement that allows for the most efficient delivery renewable fuels, and one that addresses MTBE liability and phase down.

8. The federal government will continue with its ethanol subsidy to promote renewable fuels
There are no guarantees. Consider that the current federal energy bill would increase ethanol blending in gasoline to about 5 billion gallons per year. This will cost US taxpayers $2.5 Billion per year. Taken to the extreme, a US mandate at 10% would cost $7 Billion per year. How long until newer, competing technologies compete for this lucrative federal funding?

7. An ethanol production facility will be good for the wheat farmers of Montana
This one is not quite a myth, but is highly unlikely. There are very few ethanol plants in the US that use wheat as a feedstock, as 95% of the US ethanol is produced from corn starch. Wheat is simply not an economical feedstock. If corn is used, it will take 19.3 MM Bushels of corn to produce the 53 MM Gallons of required ethanol. In 2001, MT planted 63,000 acres of corn, 13,000 of which was harvested for grain and yielded 145 bushels per acre. It would take 130,000 acres harvested as grain to meet demand. **By all calculations, 90% of the corn used for Montana ethanol would be imported from other states.** When Minnesota passed their mandate, it required about 8% of their harvested corn crop to produce the required ethanol. In MT, it will be about 1000% of the corn grain crop.

6. The Downstream Oil Industry receives Billions of Dollars in Subsidies
This claim is never supported by specifics. The bottom line is that the renewable fuels industry receives far more (100 times) subsidies than go to the oil industry. Of the counted subsidy to the oil industry, the largest amount is $255MM out of $1.3B used to support the low income oil energy needs. A more holistic review shows that on balance the oil industry is not a net beneficiary of government subsidies. In fact, the oil industry is more harmed than helped. The same cannot be said for the ethanol producers such as ADM, Cargill, and others.

5. It really won't cost that much to retrofit product terminals to blend Ethanol
The recent article by DEQ said it would cost $200,000 to retrofit a terminal for ethanol blending. In reality, it is more than that and this cost is taken out of context by the DEQ. ConocoPhillips estimates it will cost about $1.6 Million to retrofit a terminal and they will be forced to spend about $7 to $10 Million to accommodate ethanol blending. Only one company will be asked to pay 10% of the cost of a 50 Million Gal/Year Ethanol Plant. Why should one industry be made to pay to support another industry because of a mandate? All energy suppliers need a level playing field in the legislative process in Montana.

4. Ethanol will provide for good paying jobs
This myth is true if you complete the sentence … at an incredible cost. A 40 MM gallon per year ethanol plant will employ about 35 people. **However, the cost of creating jobs in ethanol plants will be approximately $1 Million / Year / Per Person. Even if you ignore the federal subsidy, the cost to Montanan's will be about one half million per person per year.** Is this the most cost effective method to produce jobs?

3. Ethanol is energy positive as compared to petroleum, which consumes energy
This is a totally irresponsible statement that appears in numerous places, such as the Renewable Fuels Association materials. Their claim is that ethanol has a positive energy balance of 34% while gasoline is negative by 20%. However, it's not accurate. In an apples-to-apples comparison, you get 4 gallons of gasoline for every energy equivalent gallon of gasoline used to manufacture the gasoline. That is a ratio of 4:1 energy yield as opposed to an optimistic 1.34:1 energy yield for ethanol. In other words, petroleum produces a 400% net energy yield as opposed to ethanol 34%.

2. Ethanol is a cost effective means to reduce our dependence of foreign energy
There are other much more efficient ways to reduce our dependence on foreign energy. Using a 2002 USDA report on the energy balance for ethanol, you get 21,105 BTU's net energy assuming energy credits for co-products. The federal subsidy alone is 51 cpg for ethanol blended to gasoline. Without this single subsidy, ethanol would not be blended into gasoline unless mandated. This subsidy is equivalent to $25 / MCF natural gas. This is 5 – 8 times the market price of natural gas. For comparisons, the subsidy for wind energy is about 3-4 cents per kilowatt, or about 1/3 the market price for electricity. **It is fifteen to twenty-five times cheaper to support wind energy as a renewable energy source as ethanol.**

1. And the Number 1 Myth: An ethanol mandate would be good for Montanans
If all the existing incentives – the federal subsidy of 51 cents per gallon (cpg) ethanol, a federal small producers credit of 10 cpg, a Montana Producers credit of 30 cpg capped to 6 million per year, a state blending credit of 40 cpg, a property tax exemption for 10 years, and below market interest loans - haven't caused an ethanol plant to yet be built in Montana, then a mandate is all that is left. On thing is for certain, the cost of a mandate will cost Montanan's more that these preexisting subsidies and incentives, which by the way total to about $1.08 per gallon. In a free enterprise system, mandates do not produce economic development but result in economic destruction.