Overnight, US President Obama has become the ethanol industry's saviour

And on the 73rd day, he rested. Or at least that is what US President Barack Obama joked about at the weekend during the annual White House Correspondents' Dinner. Basically, as his first 100 days in the White House were so successful, he is going to top himself by doing the next 100 days in just 72 days.

On the 73rd day, he will rest.

Millions of people the world over have come to revere Obama as a saviour. In many ways all the Obama-mania has gotten to be a bit silly. But last week, on May 5, a day that will live long in the history of American biofuels, Obama proved to the biofuel industries of the US, Brazil and elsewhere that miracles really do happen.

In one fell swoop, Obama managed to: guarantee the US biofuel market through 2022 with black and white volume targets for current and next generation biofuels; grant US$800 million to R&D, pilot projects and demonstration scale projects; make good on his campaign promise for millions of new "green collar jobs" by releasing USDA funds to create them in the next 30 days; and step right into the global debate on indirect land use change without giving any validity to the science.

What this policy avalanche last week did was basically give US farmers, biofuel investors, and researchers confidence while signaling an end to the US maize ethanol industry. It's less of a firm end date for maize ethanol as it's a gradual phasing out. Soybean biodiesel is on its way out too. But good news for sugar. There's also going to be a future for sugarcane ethanol because even though it isn't explicit, the additional value for sugarcane as a result of biofuel demand has been calculated as part of EPA analysis.

In case you're curious, it's an additional US$13.34 (2006 dollars) per short ton by 2022.
It was the EPA's way of trying to calm those worried about the food vs. fuel ruckus. Using an exceptionally complicated formula, one can only assume, analysts worked to figure out what the additional impact on US agricultural commodities would be as a result of the demand for biofuels. In addition to the sugarcane figure, they also discovered price increases would include: US$0.15 per bushel of maize, US$0.29 per bushel of soybeans, and US$0.93 per 100 pounds of beef. Maize exports would fall by 10%, soybean exports would fall by 9.3%, and the average American would pay an extra US$10 per year at the supermarket.

The biofuels package last week made no mention at all about plans for removal of the tariff on predominantly Brazilian ethanol imports, but it's likely too early in Obama's administration to be blatant about it. Instead, the EPA was very subtle. In its calculations on what the additional cost at the pump may be when biofuels are introduced in greater volumes, tariffs were not included in the math.

Things like the costs of producing and distributing both renewable fuels and gasoline and diesel, as well as blending costs were included but tax subsidies and the import tariff for ethanol or the tax subsidies for biodiesel and renewable diesel fuel were not. Perhaps the end of the tariff, and domestic subsidies, will indeed find themselves out of the equation entirely.

Also, hopefully, out of the equation entirely will soon be Indirect Land Use Change. The debate has become a global phenomenon in the biofuels world with everyone worried about it and no one knowing what it is or how to monitor it. You've got the naysayers on one hand—usually producers—who say the science that exists is either bad, developing or doesn't yet exist. Then there's the people insisting on inclusion of ILUC—usually NGOs, anti-biofuel critics or the pro-electric car lobby—who say the science is just fine and penalties for ILUC must be part of any lifecycle analysis for biofuels. Of course, there are plenty of world-renowned scientists on both sides of the fence.

When California released its draft policy a couple of weeks ago, they came out firmly on the side of "yes, ILUC exists and here's our penalty" to only be applauded and booed in equal volumes. When EPA released its policy proposal last week, land use change was included in the calculation for the lifecycle analysis but no penalty was included for ILUC. At least not as such. Current installations of maize ethanol will likely be "grandfathered" in, which basically means that those producers can keep doing what they're doing. But any installation that began construction after Dec. 19, 2007 will have to include land use change figures in to their lifecycle analysis. The EPA is still working on the issue of exactly how to include this and has opened itself up to a comment period in order to help it determine what the end effect will be.

According to Jeff Broin, CEO of POET and for all intents and purposes the Maize Ethanol King of the US, "Due to increasing efficiencies in our production facilities and the increased corn yields from the fields surrounding them, we don't need new land to meet the Renewable Fuel Standard. That's why we're able to farm the same number of corn acres in this country that we farmed in 1976 and still meet all of the needs for food, feed and fuel. I am encouraged that the EPA Administrator has pledged to subject indirect land use change to peer-review because I don't think the theory will hold up."

So there's that. No new acres, no land use change, no indirect land use change. At least his point is clear. Whether or not the EPA will follow the same idea will likely take another few months to see, but don't be too surprised if the final rule isn't too far off. Why? Because POET is big business and they're the ones leading the charge into cellulosic ethanol production from waste like corn cobs and stalks. Even though the economy has tanked and biofuel demand is in the doldrums, POET is still investing in new technology. They're also introducing green energy sources for their ethanol plants rather than running them on coal like most other US ethanol is made. If Obama wants to clean up his country's reputation on biofuels, he's got to do it with POET and not against it.

And that's when a poet began working with a saviour to build a green economy in America.