

MOTOR FUELS HART insider

Dear Colleague:

Welcome to the first issue of Hart Energy Publishing's *Motor Fuels Insider*, a free monthly e-letter to keep you informed of the worldwide refining and motor fuels scene. Here are some of the biggest stories we reported in 2006:

[*Diesel Fuel News*](#) is one of our most authoritative titles. Diesel demand is growing at twice the rate of gasoline worldwide, and refiners are scrambling to deal with the changes. Additionally, governments want more desulfurization of fuels and increases in vehicle fuel efficiency.

Editor [Jack Peckham](#) explained that if refiners respond to these demand pulls and environmental pushes by a shift toward hydrocracking ([click here for free special report](#)) to boost ULSD yield, then they could face another dilemma -- an increase in refinery stationary source CO₂ emissions.

In biofuels, the story of late is...you guessed it...growth in Asia. While demand continues to rise in North America, [Ethanol & Biodiesel News](#) has reported that another boom may be due in Japan, which has very little biofuels use now but is lining up ethanol supply from Petrobras. And China National Cereals, Oils and Foodstuffs Corporation will spend \$1 billion to increase ethanol production.

Plus, Editor [Peter Ngo](#) found that governments in Thailand, the Philippines, India and Australia are leaning to higher ethanol mandates without being sure how the fuel can be sourced. Not to sound like a retail equities tout, but it seems like there's never been a better time to put new steel in the ground for biorefineries.

There's another market that energy companies want a piece of: polygeneration. That's the conversion of coal, natural gas or biomass to both electric power and clean diesel. The technologies exist – South Africa's Sasol is the worldwide leader – but the caveats seem to be getting U.S. power ratepayers to pick up the tab, and ensuring carbon storage.

Some players are going to fall by the wayside, and our [Gasification News](#) has been handicapping them all year. These projects are so huge that government incentives are a must. Editor [Suzanne McElligott](#) is watching all the players, the technologies and the flow of funds.

The U.S. EPA announced Dec. 7 that it updated its process for setting national ambient air quality standards (NAAQS). [Carol Cole](#), the editor of *Octane Week*, told our readers the night before the announcement how the changes were to follow recommendations offered by the American Petroleum Institute.

What's more, API explained to Cole the source of its concerns. The oil group recommended that "senior EPA management" should have input into mainly scientific documents prepared early in every NAAQS review. This has raised concern that political appointees could look over the shoulders of scientists.

World Refining & Fuels Today has been tracking the blistering pace of new refineries and refinery expansions announced this year. In the fourth quarter, there were 28 new announcements alone. Editor [Peter Haldis](#) does not miss many of these. After the first announcements, *World Refining & Fuels Today* has updates on these projects as they move to completion, or not.

Haldis also found out that most expansions and new refineries are announced in Asia. Demand for new vehicles, and therefore fuels, is expected to increase dramatically in China and India, and so more refineries are needed. Refineries also are expanding or upgrading units to handle heavier crude oils and to meet the U.S. ultra-low sulfur diesel standard.

If you run a refinery, you're looking at the big picture, and your gas byproducts merit the same level attention as your fuel output. *Gas Processors Report* provides a clear, concise view of ethane pricing and usage, from the North American midstream perspective. Editor [John Hart](#) noted that prices at Mont Belvieu, Texas, hit record levels of 86.75¢/gallon on July 26, and maintained the 80¢/gal through August, after which ethylene demand began to soften.

He also said most analysts expect ethane prices to stay in the 60¢ range for the first quarter of 2007 due to high inventories and lower crude prices. But even if ethylene demand is unchanged, it could push ethane prices back to the 70¢ level.

If you have ideas on stories you think we should cover, contact the publisher, [David Givens](#), at 1-703-891-4811.

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