

Renewable Fuel Pipeline Issues



API
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Today's Discussion

- ✓ Renewable fuel transportation opportunities
- ✓ Driven by federal energy and tax policy
- ✓ Large-scale projects require federal financing

Federal Policy

Driving Increased Renewable Fuel Demand

Year	Renewable Biofuel	Advanced Biofuel	Cellulosic Biofuel	Biomass-based Diesel	Undifferentiated Advanced Biofuel	Total RFS
2008	9.0					9.0
2009	10.5	.6		.5	0.1	11.1
2010	12	.95	.1	.65	0.2	12.95
2011	12.6	1.35	.25	.8	0.3	13.95
2012	13.2	2	.5	1	0.5	15.2
2013	13.8	2.75	1		1.75	16.55
2014	14.4	3.75	1.75		2	18.15
2015	15	5.5	3		2.5	20.5
2016	15	7.25	4.25		3.0	22.25
2017	15	9	5.5		3.5	24
2018	15	11	7		4.0	26
2019	15	13	8.5		4.5	28
2020	15	15	10.5		4.5	30
2021	15	18	13.5		4.5	33
2022	15	21	16		5	36

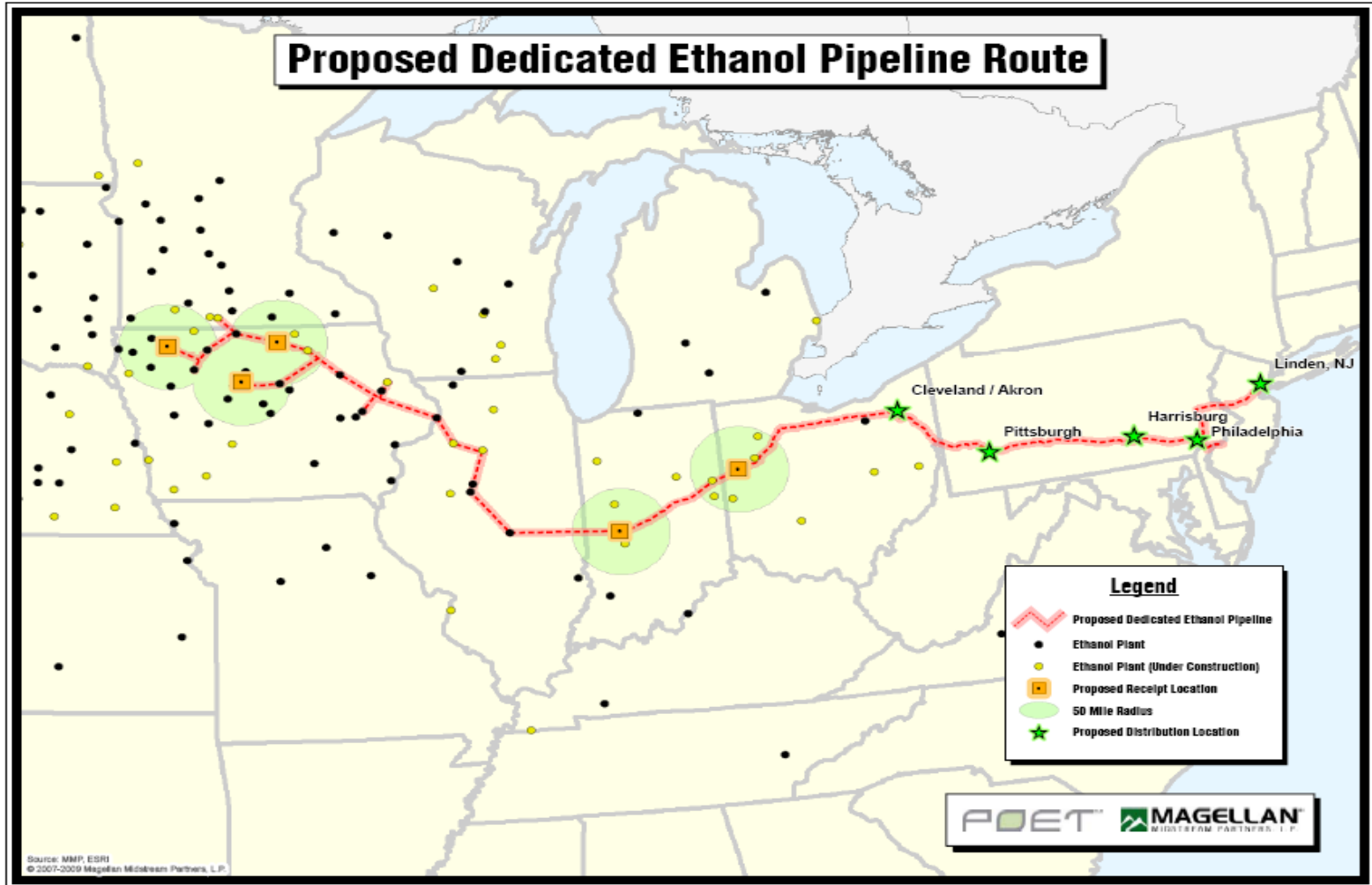
Energy Independence and Security Act of 2007
Renewable Fuels Standard

Pipeline Transportation Benefits

- ✓ Pipeline transportation rates are relatively insensitive to increases in fuel prices.
- ✓ Pipelines are reliable. Pipeline downtime is typically minimal and reserve capacity can be utilized to “catch up” quickly after scheduled or unscheduled downtimes.
- ✓ Deliveries through direct connections to pipelines can be continuous and essentially trouble free.
- ✓ Pipelines can provide excellent inventory management services as well as a platform under which products can change hands in transit.
- ✓ Product can be easily redirected while in transit to alternate destinations if market conditions dictate.
- ✓ Pipelines can provide in-transit storage at nominal costs to shippers who do not have adequate storage to hold product as part of their marketing strategies.



Iowa to New York Harbor



Technical, Tax and Financing Issues

TECHNICAL

- ✓ “AOPL is encouraged by the joint government/industry research to address the technical challenges associated with pipeline transportation of ethanol. There are several significant projects being undertaken through the Pipeline Research Council International and conducted by DNV/CC Technologies. Tests focused on future dedicated pipeline transportation of ethanol has identified an inhibitor that appears to prevent SCC development in steel. Testing is now being conducted to evaluate the impact of the inhibitor on other pipeline components.”

TAX

- ✓ “Qualifying Income” issue resolved for Master Limited Partnerships

FEDERAL FINANCING

- ✓ US Department of Energy Loan Guarantee Program
- ✓ The Renewable Fuel Pipeline Act of 2009

Takeaways

- ✓ Biofuel transportation opportunities developing
- ✓ Federal financing necessary for large-scale projects
- ✓ Broadening the DOE loan program could/may encourage investment in significant new biofuel pipeline projects