

Promoting Ethanol: Ideas for Making the Case

Michael Atherton

matherton@latitudeassociates.com

This article appeared in the June 2004 edition of *Ethanol Today*.

The readers of *Ethanol Today* come from a wide assortment of backgrounds and industries. There are farmers, engineers, business professionals, and political activists, but we all share one thing in common: a desire to promote ethanol as an alternative fuel.

Why do we do this? It is not a rhetorical question. For many of us on the front lines each day, it is easy to lose the forest for the trees, becoming mired in the details and taking for granted compelling benefits by assuming that they are obvious to others as well. So it is important that we not lose sight of the fact that we are the industry's ambassadors, frequently called upon to explain ethanol's benefits, and challenges, to individuals and groups whose backgrounds are as diverse as our own. From bankers to farmers, community groups to legislators, we are the ones who must make the case.

The objective of this article is to motivate you to reassess how you communicate with others outside the industry prompting you to ask yourself: is my message clear, is it focused on benefits, is it appropriate, is it fair relative to risks and costs, and is it comprehensive?

Is your message clear?

When talking about ethanol do you find yourself running out of breath while you recite fact after fact as your mouth tries to keep up with your brain? I have. Let's be honest, it is an interesting industry, full of complex problems, which solves pressing issues and brings together science, agriculture, business and politics in a way few others do. It is this very nexus of disparate sectors that makes ethanol so fascinating and at the same time sets a trap for well intentioned advocates.

So how do you solve this problem: by crafting a concise message that is also informative and using it as the framework for your approach to making the case for ethanol.

There are many benefits of fuel grade ethanol, but the recurring themes fall into four broad categories:

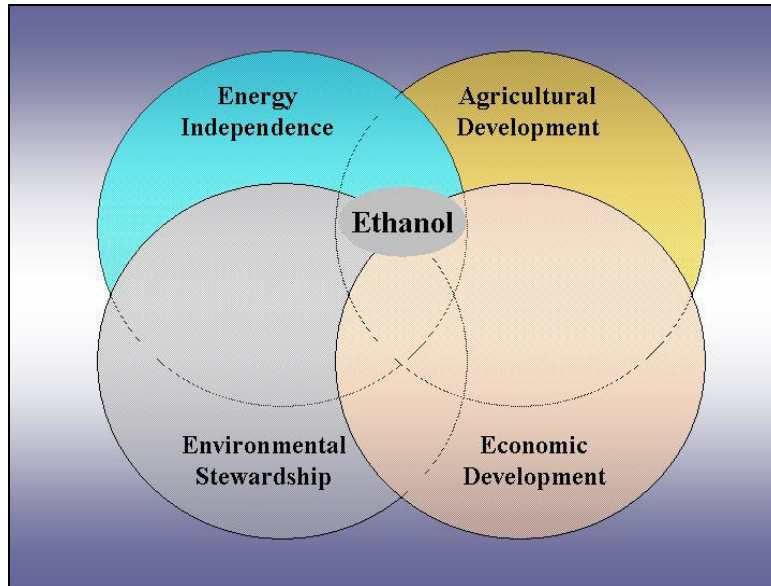


Figure 1 – Ethanol is at the convergence of a diverse collection of issues

Structuring your case around themes (see figure 1) can help you keep your message on track and focused. A core theme, energy independence, is something that resonates with nearly every audience. The other three themes, while typically received well by all audiences, are by nature of more interest to specific groups such as farmers, environmentalists, state and federal government officials, and local economic development authorities.

Tailor your message to the audience

If you give formal presentations that promote ethanol, you may find it useful to prepare four of them; one for each theme. Assessing your audience while preparing your presentation will afford you the opportunity to meld the contents of each thematic presentation into a single presentation that focuses on the core interests of that audience.

Tailoring a message to the needs of a particular audience does not mean excluding content. Rather, it means budgeting more time and effort on those areas that should resonate with that audience. But, don't assume that because your audience has been described as a group of farmers, or community leaders, or business people, that they will be interested in only part of your message. Let's face it, many of us wear more than one hat, and that will be true of the members of any audience you face. Farmers aren't just farmers, bankers just bankers, and politicians just politicians. The ethanol message is appealing on many levels and in many ways so never assume that you will only reach an audience with a single theme.

Focus on benefits

Ethanol is an exciting and growing industry that combines elements of agriculture, commerce, technology, and politics. For those of us on the east coast, this matrix is even more complex. But, avoid the temptation to dwell on the technical end of the industry. Audiences are generally not concerned with an in depth dissertation on enzyme technology or the protein content of residuals. There is a fine line between being informative and being too technical so keep your background information high level and spend the bulk of your time focused on benefits; especially those that will interest your audience.

Benefits follow the four themes and it is important not to assume they are obvious to your audience. Here are some high level ideas:

| Theme | Benefit |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Energy Independence | <ul style="list-style-type: none"> • Improving national security by reducing the flow of dollars for oil to nations with interests that conflict with ours • Strengthening our national economy by reducing the trade deficit • Enhancing national self determination as it relates to energy |
| Environmental Stewardship | <ul style="list-style-type: none"> • Reducing auto emissions in a cost effective manner that is compatible with the existing infrastructure • Leveraging an energy source that is based on a renewable feedstock • Providing an alternative to MTBE – an additive that has been shown to contaminate ground water |
| Agricultural Development | <ul style="list-style-type: none"> • Strengthening a vital sector of our national economy by stimulating demand • Providing a value added industry that reduces farmers’ exposure to volatile commodity pricing |
| Economic Development | <ul style="list-style-type: none"> • Increasing the employment base with high skill and high wage jobs • Strengthening local economies by diversifying their industrial portfolio |

Table 1 – High level benefits of ethanol as they relate to the four themes.

Making the case with numbers

With formal presentations there are several risks to building a case upon numbers. One risk is that you open yourself up to a public debate as to how the numbers were derived. It is amazing how quickly one can lose an entire audience when one disruptive individual questions a single figure on a slide. I am not suggesting that we shy away from making the case for ethanol with numbers. Rather, make that case in the correct venue with the right tools. Providing white papers and other detailed resources, many available through the ACE web site (<http://ethanol.org>), is a sound strategy for providing numerical data, along with how it was collected and calculated by reputable sources such as educational institutions and government agencies.

It is important to first reach an audience at an emotional level, through the four themes, before appealing to their rational side through numbers. Figure 2 provides facts and figures that will be of interest to your audience, will bolster your case, and by their nature avoid controversy.

| |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| U. S. consumers use more than 30 billion gallons of high performance, cleaner burning ethanol-blended gasoline each year. |
| Nearly \$4 billion has been invested in over 70 ethanol production facilities operating in 20 different states across the country. |
| Ethanol production consumed 535 million bushels of corn in 1994 (5.3% of the record 10 billion bushel corn crop). About 667 million bushels of corn were used for ethanol in 2001. |
| Domestic ethanol production reduces demand for imported oil and imported MTBE which drains our economy - oil and MTBE imports now represent almost 35% of the U.S. trade deficit. |
| Today, ethanol reduces the demand for gasoline and MTBE imports by nearly 200,000 barrels per day. A 200,000 barrel/day replacement of imported MTBE would represent a \$2.5 billion reduction to our annual trade deficit. |
| 10-percent ethanol blends reduce carbon monoxide better than any other reformulated gasoline blend -- as much as 25%. |

Table 2 – Ethanol facts excerpted from the ACE web site.

The items in Table 2 were chosen because they are factual in nature, less open to interpretation, and therefore invite less controversy. There are many other facts and figures available that demonstrate the energy efficiency and economic benefits of ethanol. It is usually best to offer these facts along with reports that produced them. The ethanol story is compelling and we have nothing to hide. Just be careful that you don't turn your presentation into a debate by inviting one with numbers that may provoke a response that puts you on the defensive.

Build credibility by honestly addressing risks and costs

Advocates who are open and balanced in the way they present their case develop rapport and credibility with their audience. The development of the ethanol industry and its resulting benefits do not come without an investment. This investment comes in many forms and it is up to you to present a balanced case that highlights both the benefits along with the costs.

| Issue | Description |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cost | Ethanol, based on current corn, natural gas, and oil prices, is still more expensive than gasoline. |
| Pricing | Ethanol plants are exposed to business risk because their inputs and outputs are commodities and therefore subject to commodity price fluctuations and volatility. As the ethanol industry matures many players are becoming more sophisticated about how they mitigate this risk through the use of hedging. |
| Taxes and Public Policy | Because of its current cost disadvantage relative to petroleum, tax policy and energy policy continue to be significant factors in the development of the ethanol industry |
| Capacity | E85 (85% ethanol 15% gasoline) is compelling, but it is important to disclose to audiences that even if all of the corn grown in the United States were converted into ethanol we would still be a very long way from eliminating demand for oil based products. Ethanol reduces our dependence on oil but its primary demand driver is as a fuel oxygenate and octane enhancer |
| Emerging Technologies | Agriculture is often viewed by the general public as a low technology endeavor and this perception is frequently transferred to ethanol. We know that this is not true but as your audience begins to understand that ethanol is high-tech they may also astutely conclude that this opens the door to competing technologies. For an audience comprised of farmers, ethanol derived from cellulosic feedstocks may be viewed as a threat. |
| Fuel Cells | You may also need to point out that ethanol has a role in what may appear to be a competing technology: fuel cells. Several fuel cell scenarios leverage ethanol as the underlying fuel. |

Table 3 – the development of the ethanol industry comes with risks and costs.

Be upbeat and positive – the future is bright

The case for ethanol’s adoption is compelling at many levels; from the patriotic to the profitable. Its recent growth mirrors that of traditional growth industries such as computer technology with one important difference: many ethanol plants brought online recently report immediate profitability. But, be careful of presenting a message that sounds too good to be true. Approach your audience with enthusiasm and optimism balanced with a fair characterization of the challenges that lie ahead. An astute audience knows that just like commercial ventures, society does not get something for nothing. Excellent presenters play to this common sense wisdom building support as they do so.