

**WMC**

Wisconsin Manufacturers &amp; Commerce

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Manufacturers  
& Commerce**

**TO: Assembly Agriculture Committee**  
**FROM: Jeff Schoepke, Director, Environmental Policy**  
**RE: Assembly Bill 15**  
**DATE: February 3, 2005**

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**Memo**

Thank you for the opportunity to provide comments today on Assembly Bill 15 (AB 15) which mandates a 10 percent blend of ethanol in gasoline statewide. We appreciate the opportunity to share with the Committee our reservations about this legislation.

As you know, WMC is a statewide business trade association of more than 4000 members. More than a quarter of Wisconsin's private sector employees work for WMC members. WMC membership spans every sector of Wisconsin's economy from manufacturing to transportation to agri-business and banking. Our concerns with this legislation stem primarily from the potential negative economic and environmental consequences for manufacturers in Eastern Wisconsin.

WMC opposes fuel mandates that increase costs to and limit choices for Wisconsin consumers. Ethanol production is on the increase in Wisconsin, and more than 40 percent of conventional gas is blended with ethanol. As a renewable fuel, ethanol has an important place in the mix of fuels in Wisconsin for the foreseeable future. We do not, however, believe it is appropriate to mandate its use and insulate ethanol from the forces of supply and demand.

In addition, ethanol is heavily dependent upon federal subsidies for economic viability. If the subsidies are eliminated, states with an E10 mandate will see significant increases in fuel costs.

We understand why the agricultural community supports this bill. However, a state fuel mandate does not guarantee a market for Wisconsin farmers. There are ethanol producers across the country willing to meet Wisconsin mandates.

WMC's biggest concern with this Legislation is the potential negative environmental impacts an E10 mandate could have in Eastern Wisconsin. Meeting federal ozone pollution standards is one of the most significant regulatory concerns facing Wisconsin manufacturers. As the Committee is aware, Wisconsin's non-attainment areas for the federal 8-hour ozone standard include all counties bordering Lake Michigan plus Washington and Waukesha Counties. In 2004, Manitowoc County attained the standard, and will, therefore, likely be redesignated. However, Wisconsin must submit a plan to EPA by 2007 to meet the standard by 2009 and 2010.

With nonattainment comes significant regulatory consequences- New Source Review, offset requirements for new projects, strict LAER

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pollution requirements and additional permitting complications. The economic development implications of being designated a nonattainment area for ozone are severe, and a real disincentive for companies to engage in job creating activity in these counties.

Committee members may remember a 2003 proposal by DNR to recommend EPA designate a wide swath of counties—from Brown County south to Rock County—as non-attainment counties even though they met the federal standard. This proposal aroused a strong reaction from local politicians, economic development officials and business leaders because of the economic development implications of such a designation. Fortunately, Governor Doyle disregarded the proposal and recommended a more limited option which EPA adopted. This outcry was a clear indication that local officials view a non-attainment designation as a competitive disadvantage to their efforts to support job growth in their communities.

There is good news on the horizon in the ozone front. Monitored ozone levels are decreasing across the state, and with a reasonable State Implementation Plan (SIP) in 2007 most of Wisconsin should be able to meet federal attainment dates. Counties which currently meet the standard but have been close to violating it during the past several years are also seeing their levels trending downward.

There is, however, a growing body of research which indicates that conventional gasoline blended with ethanol, as required under AB 15, increases emissions of substances that produce ozone.

The Southeast Michigan Commission of Governments (SEMCOG) is in the process of completing a study of multiple fuels and their potential emission impacts on air quality in the Detroit ozone nonattainment area. Using both an EPA complex model and a California Air Resources Board (CARB) predictive model, SEMCOG's preliminary study shows significant emissions disbenefits from E10 gasoline. Specifically, SEMCOG's study shows that increasing the ethanol market share through use of E-10, as would be required by AB 15, will significantly increase VOCs and NOx. VOCs and NOx are known as ozone precursors—together they form ozone—and are the primary targets for controlling ozone in Southeastern Wisconsin.

WMC is still evaluating the significance of this study and has engaged the Wisconsin DNR in a discussion about what impacts it could have when modeling is conducted to develop Wisconsin's SIP. A significant increase of either NOx or VOC emissions statewide could make attaining the standard more difficult. If the transport of these emissions results in higher modeled ozone levels in non-attainment counties, the DNR will likely recommend additional reductions from industrial sources to make up the balance. Needless to say, this makes meeting the federal ozone health standard more

difficult and more expensive. As our manufacturing economy is working its way out of the recession of the early part of this decade, additional controls or a lengthier period of time in violation of ozone standards will serve to weaken relative economic strength.

Given these concerns, WMC opposes this legislation. Further, we strongly urge the Committee to review the final SEMCOG study results and consider the implications for Wisconsin's air quality and manufacturing economy before it decides whether to recommend passage to the full Assembly.

WMC looks forward to working with the Committee on these issues and on developing state fuel policies that consider the energy, environmental and economic needs of the state.

Thank you for your consideration of these comments.