U.S. Department of Agriculture

USDA Rural Development

Committed to the future of rural communities.

BACKING THE BUSINESS OF RURAL AMERICA

FLEXIBLE FUEL PUMPS

FLEXIBLE FUEL PUMPS AND E85 ARE THE FUTURE OF INCREASED ENERGY INDEPENDENCE

THROUGH USDA'S RURAL ENERGY FOR AMERICA PROGRAM (REAP), RURAL SMALL BUSINESSES AND AGRICULTURAL PRODUCERS NOW HAVE ACCESS TO GRANTS AND LOAN GUARANTEES FOR THE INSTALLATION OF FLEXIBLE FUEL PUMPS.

What Are Flexible Fuel Pumps?

Nearly all retail gasoline stations dispense an E10 blend, which contains 10 percent ethanol and 90 percent gasoline. There is a growing trend in the United States. towards fuels with higher ethanol content. Flexible fuel pumps are specifically designed to make available ethanol-gasoline blends, up to E85, an ethanol blend that contains 85 percent ethanol and 15 percent gasoline. In addition, they may also dispense mid-level blends, such as E15 and E30. Flexible fuel pumps are also referred to as E85 dispenser/pumps, FlexFuel dispenser/pumps, and ethanol blender pumps.

What Are Flexible Fuel Vehicles?

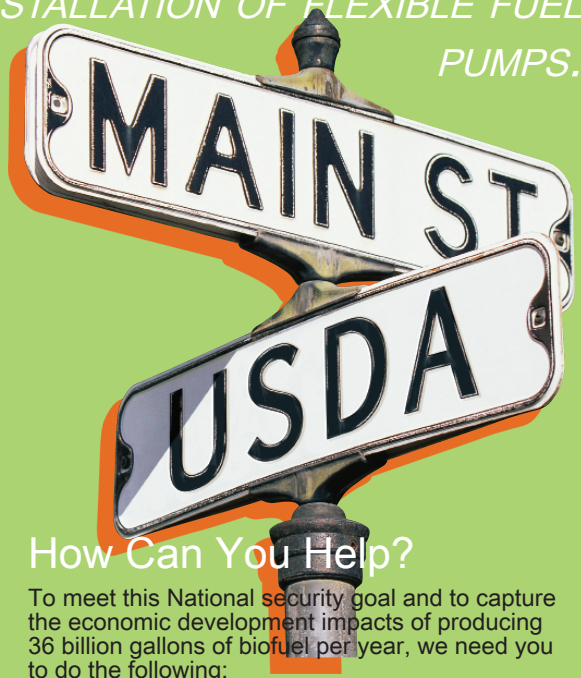
Unlike conventional gasoline engines, the engines in flexible fuel vehicles (FFVs) are specifically designed to use a wide range of ethanol/gasoline blends, up to E85. Currently, there are nearly 10 million FFVs on the road in the United States, with more than 1 million being added every year.

An estimated 90 percent of the Nation's FFVs do not have access to the higher blends of ethanol. Although these vehicles can be identified by a logo on the vehicle or by the gas cap, an equally high percentage of FFV drivers are unaware of their vehicles' unique "flexible fuel" feature.

Why E85 and Mid-Level Blends?

Our country has established a national security goal of producing 36 billion gallons of biofuel per year by 2022. To meet this goal, it is imperative that fuels with ethanol content higher than E10 be made available for use in FFVs. Presently, the majority of vehicles in the United States use E10 blends, which are about to reach market saturation (referred to as the E10 blend wall).

In 2010, 13.3 billion gallons of ethanol were produced, roughly 10 percent of the amount of gasoline sold in the United States. To break through the E10 blend wall, higher blends, such as E15, E30, E50, and E85, must be available to give consumers a choice at the pump. These higher blends will help to substantially reduce both fine particulate and greenhouse gas emissions, reduce our dependency on imported oil, provide greater sales opportunities for gasoline station retailers, and consume the billions of gallons of ethanol that are produced each year. They will also allow the biofuels industry to continue to grow and to expand to new areas of the country with new, non-cornstarch feedstock and to create 1 million jobs across rural America.



How Can You Help?

To meet this National security goal and to capture the economic development impacts of producing 36 billion gallons of biofuel per year, we need you to do the following:

- Take advantage of this opportunity to upgrade your service stations by applying for REAP grants and loan guarantees.
- Offer your customers more variety by installing flexible fuel dispensers to make E85 available.
- Encourage drivers to use higher ethanol blends because it reduces greenhouse gases and reduces America's dependency on imported oil.
- Talk to your suppliers about this exciting opportunity to grow their market share.

USDA IS BACKING THE BUSINESS OF RURAL AMERICA

GRANTS AND LOAN GUARANTEES ARE NOW AVAILABLE TO FINANCE FLEXIBLE FUEL PUMPS

USDA's Rural Energy for America Program (REAP) now provides grants and loan guarantees for the installation of retail flexible fuel pumps and related equipment and the retrofitting of existing pumps to dispense E85. With these new pumps, station owners can service the rapidly growing fleet of FFVs, help America increase biofuel use, and reduce our dependence on imported oil.

Am I Eligible?

You may be eligible if you: (1) meet the definition of a rural small business or an agricultural producer; (2) are current on all Federal debts; (3) are not debarred for receiving Federal assistance; and (4) have made satisfactory progress on any previous REAP grants and guaranteed loans.

Is My Project Eligible?

To be eligible, the project must: (1) be for the installation of a retail flexible fuel pump; (2) be in a rural area; (3) use a commercially available, replicable technology; (4) have technical merit; (5) be owned by the applicant, who must control the revenues and expenses of the project and must have a place of business in a State; (6) have satisfactory sources of revenue for the life of the project; and (7) have its site controlled by the applicant for the financing term of any associated Federal loan or loan guarantee.

EXAMPLE: A flexible fuel pump for a farm to service an agricultural producer's vehicles is not eligible because it is not a retail pump.

What Financial Assistance is Available?

Both grants and loan guarantees are available. Grant awards are limited to no more than 25 percent of total eligible project costs, with a minimum grant of $2,500 and a maximum grant of $500,000. You must secure the remaining funds. Loan guarantees of up to 75 percent of total eligible project costs are also available.

Project costs that may be paid with REAP funds include, but are not limited to:

- post-application purchase/installation of equipment, including underground storage tanks;
- post-application construction or improvements;
- energy audits/ assessments;
- permit and license fees;
- professional service fees, except application preparation;
- feasibility studies/ technical reports/business plans; and
- retrofitting.

You may have access to additional sources of funds, including a 30-percent U.S. Department of Treasury tax credit for the investment in renewable refueling infrastructure and financial incentives from industry and your State for flexible fuel pumps.

Example: If a new flexible fuel pump is $24,000, all of these incentives may reduce your outlay to $9,100.

What Is the Appplication Process?

You must submit a complete application and a technical report for your project. Your application can be for one or more service stations. For fiscal year 2011, you must submit your complete application by June 15, 2011.

USDA will score each application using several scoring criteria. Each scored application will compete against all other REAP applications, with higher scoring applications receiving first preference.

USDA intends to announce awards between July and September each year.

Where Can I Get More Information?

For more information on REAP and flexible fuel pumps, contact the USDA Rural Development Energy Coordinator in your State:

Name:

Laurette Tucker

Phone:

434.392.4906, Ext. 125

Email:

laurette.tucker@va.usda.gov

PA 2081 April 2011