

05 FEB 14 AN 9: 20

Shell Oil Company

John D. Hofmeister President US Country Chair One Shell Plaza P. O. Box 2463 Houston, TX 77252-2463

February 13, 2006

The Honorable Tom Harkin United States Senate SH-731 Hart Senate Office Building Washington, DC 20510-1502 The Honorable Richard G. Lugar United States Senate SH-306 Hart Senate Office Building Washington, DC 20510-1401

Dear Senators:

Thank you for this opportunity to share our views regarding ethanol fuels.

Shell is the world's largest marketer of biofuels, as well as a leading developer of advanced biofuel technologies. In 2005, we blended ethanol into approximately 30 percent of our gasoline in the United States. As a result of the recently enacted Energy Policy Act of 2005, we expect that we will blend even more in the future.

At Shell, we believe that the fastest and most efficient way to increase the use of fuel ethanol is to blend it into one or more of the existing gasoline grades at a ratio of 10 percent ethanol to 90 percent gasoline. The primary reasons for this are that 10 percent ethanol blends are compatible with existing motor vehicles, and can be distributed and marketed using the existing gasoline infrastructure, including existing storage tanks and dispensers at retail locations. In contrast, E-85 is only compatible with some motor vehicles, and generally requires dedicated storage tanks and dispensers constructed from materials that are compatible with E-85. In addition, we are concerned that widespread introduction of E-85 alongside conventional gasoline grades will further increase supply chain complexity, which in turn may increase vulnerability to supply disruption, especially during times of regional or national crisis.

We do however recognize that our experience with E-85 in the United States has thus far been fairly limited. Therefore, Shell has recently initiated a pilot program to test market E-85 fuel in the Chicago area. Through this pilot program, we hope to gain a better understanding of the practical issues associated with managing E-85 through the supply chain and to better gauge consumer interest in this product. We intend to review our policies concerning E-85 based on the results of the pilot program.

Senators Harkin and Lugar February 13, 2006 Page Two

Looking forward, beyond corn-based ethanol to advanced 2<sup>nd</sup> generation bio-fuels, we believe that there are exciting new opportunities in alternative fuels that may help America and the world increase fuel diversity and energy security. Currently, Shell is exploring a wide variety of short-term and long-term ways of meeting the world's growing need for more and cleaner energy supplies. For example, Shell has invested in Iogen Corporation and Choren Industries, which are leaders in the development of biofuels. In addition, we are also very active in coal gasification, gas-to-liquids fuels, hydrogen fuels, and wind and solar power.

Again, we appreciate this opportunity to share with you our views regarding ethanol and other alternative fuels. If you would like to discuss these issues further, and learn more about Shell's commitment to alternative sources of energy, please do not hesitate to contact me.

Sincerely,

St Hozmita