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Shell Oil Company
John D. Hofmeister
President
US Country Chair
One Shell Plaza
P. O. Box 2463
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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.

