

Seeing the links

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What is the connection?

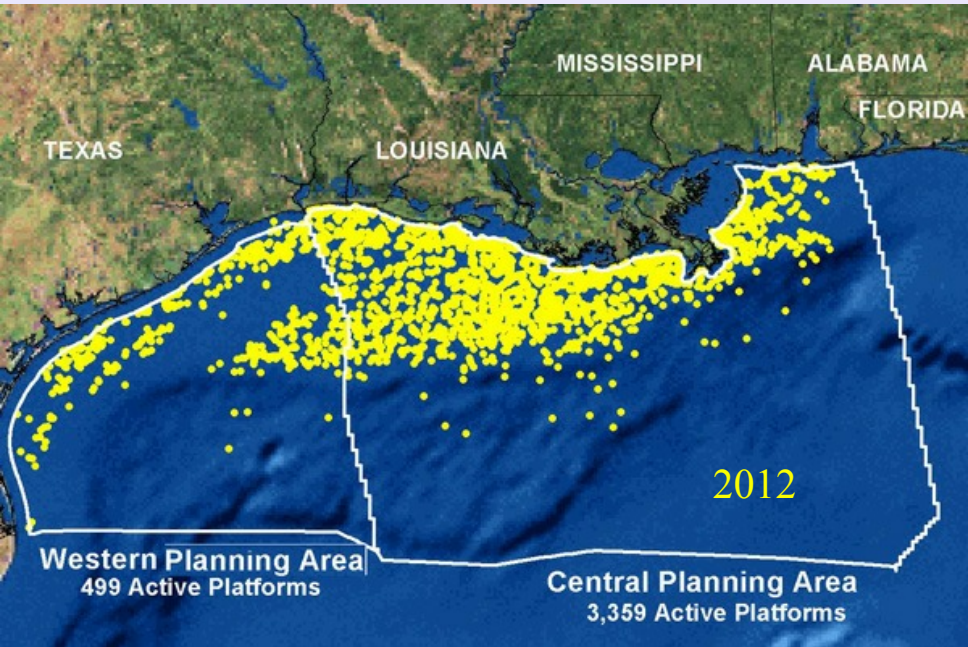
- Hurricane Katrina
- Oil prices
- Corn prices

Oil refineries like this one continue to sit underwater, and the extent of their damage is only slowly coming to light.

Image | September 21, 2005



Hurricane Katrina: disrupted 95% of oil production for months



Resulting gasoline prices

THE OIL SUPPLY

Gas Prices Surge as Supply Drops



Kari Goodnough/Bloomberg Ne

Residents of Mobile, Ala., waited to fill extra fuel containers on Wednesday. Some states reported scattered shortages. As many as 10 refiners have contacted the government about using oil from the strategic petroleum reserve.

By **JAD MOUAWAD** and **SIMON ROMERO**

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For the first time since the 1970's, gasoline lines reappeared yesterday in some corners of the country.

Three days after Hurricane Katrina dealt a devastating blow to the nation's largest energy hub, the worst-case possibility was quickly becoming a reality: gasoline prices surging well above \$3 a gallon, with some consumers complaining of price gouging; service stations in a handful of locations running out of gas; drivers rushing to fill their tanks, only to find themselves waiting in line with others.

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The ethanol alternative

Energy Independence and Security Act of 2007

Enacted December 19, 2007

The Energy Independence and Security Act (EISA) of 2007 ([Public Law 110-140](#)) aims to improve vehicle fuel economy and reduce U.S. dependence on petroleum. EISA includes provisions to increase the supply of renewable alternative fuel sources by setting a mandatory Renewable Fuel Standard, which requires transportation fuel sold in the United States to contain a minimum of 36 billion gallons of renewable fuels annually by 2022. In addition, the law sets the Corporate Average Fuel Economy (CAFE) standard at 35 miles per gallon for passenger cars and light trucks by the year 2020. EISA also includes grant programs to encourage the development of cellulosic biofuels, plug-in hybrid electric vehicles, and other emerging electric vehicle technologies. The law is projected to reduce greenhouse gas emissions by 9% by 2030.



Patrick Fallon/Bloomberg

Corn is unloaded from trucks into the grain elevator at an ethanol plant.

The price of corn

Figure 4. Cash Corn Prices--Illinois



Source: Citi Investment Research and Bloomberg



Last Updated: Thursday, 1 February 2007, 01:56 GMT

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Mexicans stage tortilla protest

Tens of thousands of people have marched through Mexico City in a protest against the rising price of tortillas.

The price of the flat corn bread, the main source of calories for many poor Mexicans, recently rose by over 400%.

President Felipe Calderon has said the government will clamp down on hoarding and speculation to ease the problem.



Mexicans are angry at the rise in price of their staple food

But... life is always more complicated

- Type of corn
- U.S ethanol politics
- Mexican politics
- U.S. energy policy
- Technology breakthroughs

