2019 American Coalition for Ethanol (ACE) Conference

"What It Takes"

Remarks of Brian Jennings, ACE CEO

Omaha, Nebraska
August 15, 2019

Thanks Duane, and good morning to ACE members and friends. I've had the distinct honor of working for five different people who have served as President of the ACE Board of Directors. Each of these men has brought their individual leadership style to the organization, and what I have observed during Duane Kristensen's tenure is that we've had some of the most open, honest, and substantive discussions the last couple years than we've had in the entire time I've worked for ACE.

Speaking of an open, honest, and substantive discussion, that's precisely what we had yesterday with the board and several of our members. Let's face it, our industry's current state-of-affairs should be much better. We have good news, no doubt, we have also been dealt with lot of bad and ugly news.

The good is obvious: EPA has finally allowed E15 to be sold year-round. This doesn't mean ethanol demand will spike in 2019, but it's a very positive development for the market over the mid-to-long term. Speaking of E15, I want to thank and congratulate Southwest Iowa Renewable Energy (SIRE), ACE's newest member, for hosting the President to mark this important victory. The SIRE team did an outstanding job of showcasing our industry on that warm June day.

Unfortunately, this good E15 news is undermined by the bad news: EPA continues to mismanage the RFS with a refiner-win-at-all-costs approach to small refinery exemptions (SREs), and, when you throw in trade wars for good measure, it constrains our ability to expand the use of ethanol here at home and around the world.

And that leaves us with the ugly: Too many of our members are running in the red, and there's not a lot of light at the end of the tunnel. With every slow down or shut down, another round of consolidation is predicted. As someone who firmly believes the farmer-owned and independent ethanol plants need to remain the heart and soul of this industry, I don't want to consolidation sweep any ACE members up.

So how do we turn things around? What can we do to shape a positive outcome in the face of these headwinds, in the face of the bad and the ugly news?

For starters, we've got to keep fighting EPA's brazen abuse of SREs. To that end, ACE has joined forces with industry allies and the corn growers to litigate and try to reallocate SREs. We are also supporting legislation in Congress to require EPA to make the exemptions transparent and reallocate the waived gallons.

But that's not good enough. We must turn up the volume. This isn't going to win me a popularity contest, but I'm going to call it like I see it: Had the 2016 Presidential election turned out differently, and if it was the *Clinton EPA* who granted 85 SREs and ignored the statutory requirement to reallocate those gallons, rural America wouldn't turn the other cheek. We would be raising all sorts of hell. Why are so many people in rural America turning our cheek when the Trump EPA does these things?

I'm not telling you who to vote for in 2020, but I am telling you *now is the time* to stand up and speak out against the clear harm this is causing our industry. Our job is to support ethanol, no matter who resides at 1600 Pennsylvania Avenue.

Since our job is to support ethanol, at ACE, we have come to the conclusion that we can't keep doing what we've been doing and hope the result gets better. Merely playing defense on the RFS and hoping trade wars subside isn't a growth strategy.

We need to turn the page, to go on offense. We need a new plan, a vision for how to increase demand for ethanol and break free from the status-quo.

For many of us, the plan hinges on octane, namely, the ability for higher ethanol blends to maximize fuel economy in new engine technologies. Octane is a great start, but it's only half the plan.

The last time I checked, oil refiners make octane too, and they aren't going to cede a meaningful octane market for higher ethanol blends. We have already seen the refiners' octane plan, which caps ethanol's contribution to just 10 percent of the market.

If we're serious about increasing market share, we must also be proactive about the low carbon advantages ethanol has over gasoline. It's a double-barrel approach: maximizing ethanol's octane value in the market, <u>and</u>, positioning higher ethanol blends as part of the solution to reduce GHG emissions.

Under the leadership of Duane Kristensen and our Board of Directors, ACE has engaged our industry allies about combining the low carbon and high octane benefits of ethanol into a new growth plan. Our plan would build upon the RFS, spur new ethanol demand, and make gasoline better with a higher octane rating, and, ensure the source of octane significantly reduces GHG emissions compared to petroleum.

Combining ethanol's high octane and low carbon strengths into a new growth strategy not only allows *us* to go on offense, it gives our champions in Congress something to be for as the discussion about climate change begins to ramp up in Washington.

Refiners might have a card to play when it comes to octane, but they're left empty-handed when we draw upon our ace in the hole: ethanol's ability to reduce GHG emissions.

And make no mistake, if we fail to position ourselves as part of the solution to climate change, the void will be filled by those who will paint us as part of the climate problem. Now is not the time to allow others to define our future.

I'm going to close by restating something Dave Sovereign with Golden Grain Energy said at a recent Board meeting as we were talking about this new low carbon, high octane plan to grow demand for ethanol. Dave said there are three kinds of people; those who watch things happen, those who wonder what happens, and those who make things happen.

ACE members have what it takes to make things happen. Let's roll up our sleeves and get to work.