Most of us are eager to slam the door on 2019. The highlight was EPA’s rule to finally allow the year-round sale of E15, but 2019 was dominated by bad weather, bad markets, bad profit margins and the ugliness of trade wars and EPA’s mismanagement of the Renewable Fuel Standard.

ACE members who have been trying to help EPA successfully implement the RFS instead encounter an Agency persistently siding with refiners to constrain ethanol use. Under President Obama, it was the E10 “blend wall” waiver. We sued EPA, and in 2017, the DC Circuit Court ruled the Agency must restore 500 million gallons to the RFS. EPA has yet to comply with the court order. Under President Trump, it’s been the unchecked abuse of the RFS Small Refinery Exemption. We’ve sued EPA (again), legislation to combat SRE abuse has been introduced in Congress, and we hope the President convinces EPA to reallocate future waivers, but the painful reality is EPA and refiners have us constantly playing defense and losing the overall battle over the RFS.

Our members are the life-blood of ACE’s grassroots efforts and your support is needed now, more than ever, because our adversaries have infiltrated EPA and are hoping they can forever limit ethanol demand to current levels.

Our industry encountered countless challenges in 2019. The following pages serve as a map of the road ACE members traveled this year: from advances made with marketers at home and abroad, setbacks on the RFS, to the development of a new low carbon, high octane legislative plan.

I am reminded daily of the critical role of ACE. Between our continued market development efforts, especially the partnership with the U.S. Grains Council’s retailer workshops in Mexico, and unwavering defense of the Renewable Fuel Standard, ACE worked diligently to protect and grow our markets. ACE’s persistence demonstrates a clear value for us as producers, service providers, and individual members.

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Please consider joining us at one or both of our annual events: the D.C. Fly-In and Government Affairs Summit (to be held April 2-3, 2020), or the annual conference (to be held August 12-14, 2020 in Minneapolis). These events provide excellent opportunities to stand up and fight for your interests and a prosperous ethanol industry.

I would also encourage you to ask your shareholders, service providers, and industry colleagues to become ACE members if they have not already done so. With increased resources and a broader membership footprint, ACE can do more of what they do best — help grow the market for ethanol.

We owe a great deal of thanks to our members. You are driving the decisions we make at ACE, whether market or policy related, for the future of our high octane, low carbon fuel. Thank you for making these efforts possible, we look forward to working with you in 2020!
ACE calls on Senators to secure ethanol promises from Wheeler before confirmation vote

ACE CEO Brian Jennings sent a letter to U.S. Senators encouraging them to ensure the Environmental Protection Agency finalizes a legally-defeasible Reid vapor pressure (RVP) rule to allow E15 use year-round before the summer driving season, and realigns ethanol blending obligations waived for 2016 and 2017 through the Small Refinery Exemption (SRE) provision of the Renewable Fuel Standard (RFS) before casting their confirmation vote for (at the time) Acting EPA Administrator Andrew Wheeler.

Jennings encouraged the newly confirmed EPA Administrator to expediently release a legally-defeasible rulemaking to allow for E15 use year-round and reconvene to finalize the rule by the June 1 summer driving season, as well as to uphold the RFS as the law of the land by reallocation of blending obligations unlawfully waived by former EPA Administrator Scott Pruitt.

ACE leadership testifies on EPA’s proposed RVP/RIN rule

Lamberty testified during the public hearing in Ypsilanti, Michigan, on EPA’s proposed rule “Modifications to Fuel Regulations to Provide Flexibility for E15: Modifications to RFS RIN Market Regulations.” Lamberty tailored his testimony to the retailer perspective saying, “The fact that thousands of other retailers are willing to jump through EPA’s hoops each spring and fall is testament to how valuable E15 is to those businesses and their customers.”

ACE releases proposal rulemaking to allow the sale of E15 year-round

Along with its proposal to allow retailers the ability to offer E15 to their customers year-round, EPA also included reform proposals to the Renewable Identification Number (RIN) credit market in its draft rule.

ACE joins farmers, ethanol producers at Trump’s visit to SIRE

ACE leadership, staff and members joined hundreds of farmers and other ethanol industry stakeholders in Council Bluffs, Iowa, to welcome President Trump to Southwest Iowa Renewable Energy and celebrate year-round access to E15. The president walked away from the event directing USDA Secretary Sonny Perdue and EPA Administrator Wheeler to find a solution to the SREs after hearing directly from farmers and biofuel producers, like SIRE CEO Mike Jorin, that the benefit of E15 year-round is blunted by not reallocating the waived gallons.

ACE elevates low carbon White Paper to Senate Ag Committee

Jennings highlighted the scientific and economic opportunities U.S. farmers and biofuel producers hold to support climate change mitigation and get the rural economy back on track in a letter to Senate Agriculture Committee Chairman Pat Roberts (R-KS) and Ranking Member Debbie Stabenow (D-MI) as the Senate Agriculture, Nutrition and Forestry Committee held a hearing on climate change in the agriculture sector.

ACE papplies bipartisan Senators’ letter urging EPA to update ethanol science

U.S. Senators Dick Durbin (D-IL) and Chuck Grassley (R-IA), both members of the Senate Committee on Agriculture, Nutrition and Forestry, led a letter in advising EPA to update its environmental analysis on ethanol. ACE published a White Paper in 2018 recommending, as also stated in the Senators’ letter, that EPA refer to the latest U.S. Department of Energy GREET model for lifecycle analysis of corn ethanol.

ACE submits comments on EPA’s proposed E15 rule

ACE welcomed EPA’s proposal to extend the 1 psi RVP waiver to E15 during the summer months but opposed the Agency’s controversial and unnecessary proposals to reform the RIN credit market in comments submitted to EPA’s proposed rule. “Taken together, the RIN reforms constitute a poison pill which is incompatible with the goal of making E15 available to consumers year-round,” the comments state.

ACE joins farmers, ethanol producers at Trump’s visit to SIRE
ACE calls on EPA to rely on GREET model as it considers future RFS volumes

ACE and the Iowa Renewable Fuels Association hosted a tour in conjunction with the U.S. Grains Council in Iowa to show nine decision-makers from key Mexican retail and supplier groups how ethanol blends have been successfully and profitably incorporated across Iowa. “The week’s events exceeded our expectations,” Lamberty said. “We wanted this tour to end any lingering doubt these marketeers might have about implementing ethanol blends in Mexico. After seeing stations and equipment just like theirs being used to sell E10, and hearing station operators say they’ve sold ethanol profitably for decades without any issues, some who attended plan to do tests in the next several months, and when those tests go well, we’ll encourage those marketeers to share their success stories with peers in Mexico, as ACE has done to develop markets in the U.S.”

ACE submits comments to EPA’s RFS proposal

ACE welcomed two new ethanol producer members recently – Heron Lake BioEnergy, a 65 million gallon per year (MGP) plant located in Heron Lake, Minnesota, and Southwest Iowa Renewable Energy, a 130 MGP plant located in Council Bluffs, Iowa. “Over the years, I have been able to see and experience the value ACE offers first hand,” said Ken Schmit, HLBE and ACE board member. “ACE’s grassroots approach to public policy and market development is top notch, making the decision to join an easy one,” said Mike Jerke, SIRE CEO.

Jennings thanked rural leaders for prompting EPA’s announcement following months of White House discussions with EPA and USDA officials on the RFS. However, because this plan was short on details and the outcome dependent upon a new rulemaking process, Jennings said, “it’s unrealistic and premature for me to conclusively praise or blame this stage.” He added, “your vigilance and grassroots leadership will be necessary to help achieve a positive outcome in the upcoming rulemaking process.”

ACE testifies on EPA’s supplemental rulingmaking to proposed 2020 RVOs

ACE testifies on EPA’s public hearing in Ypsilanti on behalf of ACE members, saying “For far too long, farmers and renewable fuel producers who have been trying to help EPA successfully implement the RFS have instead encountered an Agency persistently riding the brakes on the program and constraining opportunities to blend more ethanol. To make matters worse, EPA’s recent abuse of SREs recklessly turns the keys to the RFS to refiners who have taken the program on a joy ride.” He added, “Refiners should no longer be allowed to drive the RFS in the ditch, it’s time for EPA to finally take back the keys to the program.”

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Jennings said EPA’s abuse of small refinery waivers “guts the RFS and breaks the president’s promise.” He goes on to explain that the August 9 announcement of 31 SREs for the 2018 compliance year, the USDA’s August 12 crop report and the trade war with China have combined to potentially take $10.8 billion away from farmers and ethanol plants and transferred much of that to oil companies.

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Rural leaders petition President Trump to uphold biofuel promise

A broad coalition of biofuel and farm advocates sent a letter to the White House calling on President Trump to fix the flawed proposal from the EPA, which “fails in its mission to reinvigorate farm economies and reinvigorate biofuel plants across America’s heartland.”

The letter was signed by 60 organizations, including ACE. ACE urges EPA to get RFS back on track in comments

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ACE holds 32nd annual conference, elects board of directors

ACE’s 32nd annual conference theme and programming “What it Takes” reflected the industry’s fortitude for growing the business of clean fuel despite several headwinds the industry’s been battling. It was a somber yet determined group of ethanol industry representatives who met this year in Omaha for the conference, in the wake of the EPA granting another 31 SREs for 2018 on top of the previous 54 SREs granted for 2016 and 2017. Nebraska Governor Pete Ricketts kicked off the first day of conference sessions welcoming attendees and pressing the Trump administration to stand behind the RFS. With export markets and trade policy in the spotlight, Ryan LeGrond, president and CEO of the USGIC, outlined opportunities and challenges to increase ethanol and coproduct markets around the world. USGIC’s Mexico team, Stephen Wittig and Jorge Lerdo de Tejada, shared a Mexico market specific update. The conference also hosted the popular retailer panel – this year with Mike Lewis of California-based Pearson Fuels and Randy Gard of Bosselman Enterprises, owner of the Nebraska-based Pump & Pantry convenience store chain. Other topics highlighted during the conference included timely discussions on how the ethanol industry can benefit from the emerging carbon economy and strategies to overcome the margin squeeze, as well as an update on the various legal battles over the RFS from an attorney with Pillsbury Winthrop Shaw Pittman LLP. During the annual meeting, ACE announced the re-election of several board members and elected two new representatives, Troy Korth and Owen Jones, to the board of directors. Visit ethanol.org/meet-ace/board for a full list of ACE’s board and ethanol.org/events/conference for more information about the conference.

ACE issues 31 SREs for the 2018 RFS compliance year

ACE submitted its SRE dashboard, granting 31 of the 38 waiver requests that were pending from the 2018 compliance year for the RFS. “EPA’s refiner win-at-all-costs Oversight of the RFS is doing real damage to America’s farmers and renewable fuel producers who are already suffering from trade wars and volatile markets,” Jennings said in response. “The RFS is supposed to ensure the use of ethanol and biodiesel increases from one year to the next, but 65 SREs later and over 4 billion waived gallons represents an enormous step backwards.”

Several corn farmers and biofuel producers were cited in ACE’s comments, including ACE member plant SIRE CEO Mike Jerke, who said EPA’s abuse of small refinery waivers “guts the RFS and breaks the president’s promise.” He goes on to explain that the August 9 announcement of 31 SREs for the 2018 compliance year, the USDA’s August 12 crop report and the trade war with China have combined to potentially take $10.8 billion away from farmers and ethanol plants and transferred much of that to oil companies.

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ACE urges EPA to get RFS back on track in comments

ACE submitted comments to EPA’s proposed supplemental rulingmaking to the 2020 RVOs, underscoring that this proposal does not reflect the original goals and rather, “EPA’s proposal barely attempts to paper over the fact that actual waived SRE volumes from 2016 through 2018 were double what the Agency is proposing to reallocate in 2020.”

ACE issues supplemental rulingmaking to proposed 2020 RVOs

“Simply put, the proposal fails to live up to the hype,” Jennings said after reviewing the proposal. White House officials said the “prospective reallocation” plan will involve “taking the three-year rolling average of prior SREs (2016-2018) and reallocate volume to ensure at least 15 billion gallons for 2020 and beyond.” Instead, in a bait and switch, EPA proposed to reallocate by using lower DoE rolling average of prior SREs and reallocate volume to “prospective reallocation” plan will involve “taking the three-year rolling average of prior SREs (2016-2018) and reallocate volume to ensure at least 15 billion gallons for 2020 and beyond.” Instead, in a bait and switch, EPA proposed to reallocate by using lower DoE rolling average of prior SREs (2016-2018) and reallocate volume to
MEXICO AND TRADE

Mexico changed its law to allow up to an E10 blend outside of three major cities (Monterrey, Mexico City and Guadalajara) in 2017, representing a potential market of between 600 and 800 million gallons of ethanol demand (1.36 billion gallons including the three cities). Much like when we introduced E10 to U.S. markets outside the Midwest, ACE Senior Vice President Ron Lambert has been traveling to Mexico to take part in 12 (five in 2019) technical ethanol workshops put on by the U.S. Grains Council and the Mexican Association of Service Station Suppliers (AMPES) to inform Mexican petroleum marketers about opportunities in sourcing, marketing, and retailing ethanol-blended gasoline. Another effort ACE was involved with to expand this marketplace was the tour co-hosted with the IRFA in conjunction with the USGC to bring curious Mexican fuel marketers and suppliers to Iowa to make the imaginary fuel more real for them. Lambert says after the tour, “…they wanted to go back and find a way to add ethanol to their fuel slate.” In fact, Mexican retailers are already buying ethanol — mostly E10 purchased at U.S. terminals and delivered to stations in the northern states of Mexico. ACE will continue to work with the USGC to provide information to retailers and others who want to sell more ethanol in 2020.

Trade shows/marketer outreach

Over the course of 2019, the ACE market development team attended nine tradeshows, in addition to a handful of speaking engagements at events and retailer workshops. Over the summer, ACE spread its fuel retailer outreach across the country, bringing the Flex Fuel Forward campaign from Texas to Florida, and over to California. All three states have a large volume of FFVs; some of the tradeshow talk focused on E85 sales and retailer interest in the economics of selling that fuel blend. However, most of the conversations and questions from retailers were primarily about E15. Curiously has been rising among retailers, many wanting to know more about chains that have added the blend to their fuel slate. ACE’s market development team ended the tradeshow season at the National Association of Convenience Stores Show, the largest annual gathering of convenience and fuel retailers in the United States.

FLEXFUELFORWARD.COM REVAMP

Based on input from retailers stopping by our booth at tradeshows and discussions we had with marketers, ACE updated the flexfuelforward.com website to include more marketer “testimonials” and in-depth information to answer questions retailers frequently ask about E15 and flex fuel.

E15/E85 MARKET UPDATE

Following EPA finalizing its rule extending the 1 psi Reid vapor pressure (RVP) waiver to E15 during the summer months, consumption of the fuel increased compared to last year. There are nearly 2,000 locations in 30 states that offer E15 and ACE is continuing its efforts to ensure retailers understand their hands are no longer tied by Reid tape preventing them from selling the fuel all year, in addition to informing them about the ease and low cost of adding E15 to their fuel slate.

While E15 volume is growing and will eventually move massive amounts of ethanol, E85 is currently moving significant ethanol volume. Sales of E85 are being driven by economics, some RIN value, and California’s Low Carbon Fuel Standard credits that give E85 additional price advantages in the Golden State. There are 4,800 gas stations selling E85 nationwide, many added thanks to the Biofuel Infrastructure Program, but unfortunately, automakers continue to dramatically curtail production of flex fuel vehicles (FFVs). ACE has been helping circulate a grassroots online petition during 2019 that calls on automakers to continue making FFVs. Some positive news regarding FFVs came in August when EPA announced approval of a new F-factor for 2019 model year FFVs. The F-factor determines the amount of credit auto manufacturers receive for building a FFV. While the 2019 F-factor only applies to vehicles that, for the most part, have already been built, in a letter to automakers, EPA said it has “initiated a forward-looking assessment based on real-world use for the 2020 and later model years with the goal of issuing a new determination expeditiously.”
2019 DOMINATED BY EFFORTS TO DEFEND THE RFS AND COMBAT ABUSE OF SMALL REFINERY EXEMPTIONS

This was supposed to be a year for the industry to progress with E15 year-round, and while the industry is grateful President Trump directed EPA to finalize the RVP rule, the reality is the Small Refinery Exemption (SRE) waivers have undermined that effort.

ACE is constantly joining industry allies in pushing back on EPA’s mismanagement of the RFS, sometimes through the court system. In 2016 and 2017, ACE was involved in Americans for Clean Energy v. EPA, the lawsuit against the Obama EPA “blend wall” waiver in the DC Circuit. We challenged and won, however, to this day EPA has still refused to comply with the court order to restore 500 million gallons to the RFS. In 2018, ACE joined the National Corn Growers Association, National Farmers Union, and Renewable Fuels Association in challenging three small refinery waivers granted to CVR Energy and HollyFrontier in the 10th Circuit. We expect a court decision on this litigation in early 2020. That year we joined with groups in petitioning EPA to reallocate SREs it issues retroactively.

After 13 months of no action from EPA, this past July, the coalition asked the court to lift a stay it placed on our joint 2018 petition and restart the legal proceedings. This case is pending in the DC Circuit Court. Finally, at the end of October, ACE joined NCGA, RFA, Growth Energy, the National Biodiesel Board and NFU to challenge the 31 SREs granted for 2018 in the DC Circuit. ACE will keep you updated as developments occur over the coming year.

ACE’s obvious disregard for the RFS makes the bipartisan, bicameral legislation that was introduced in 2019 (the RFS Integrity Act) all the more important. The RFS Integrity Act (H.R. 3006, S. 1840) prevents retroactive SRE applications and approvals, requires public disclosure of SREs, and requires EPA to reallocate SREs to non-exempt refiners so statutory volumes are fulfilled.

A PLAN TO REALLOCATE FUTURE REFINERY WAIVERS AND PROMOTE HIGHER BLEND USE?

We have been urging EPA to fix its supplemental rulemaking to the 2020 RIVD to fulfill the President’s promise that 15 billion gallons means 15 billion gallons by reallocating the actual average of waived volume from 2016-2018. As of early December, EPA had denied 10 SRE requests for 2019. We anticipate full exemptions for this compliance year, but said it will begin approving “partial” SREs for the 2020 compliance year, although reserves the right to continue issuing full waivers as well.

In addition to a process to reallocate SREs, the RFS “deal” issued by the Trump administration also involves EPA streamlining E15 labeling and removing barriers to mid-level ethanol blends, which EPA has said there will be a separate proposed rule for. Further details have yet to emerge on this proposal. The RFS deal also includes a new USDA program to provide financial support for infrastructure, which USDA has begun working on. ACE has been involved, meeting with USDA officials to provide recommendations for the program. Program details are likely to be unveiled in early 2020.

Another RFS development to watch for in 2020 is EPA’s rule to “reset” 2021-2022 volumes. ACE will continue to push to reallocate SREs and restore the 500 million gallons from the “blend wall” lawsuit to boost volume beyond 15 billion gallons. The final rule was expected in February but since the proposed rule has not been released for public comment as of early December, the deadline will slip.

For CONGRESS:

As Congress focuses on climate change, ACE has been discussing the potential role of ethanol within a broad policy framework. As with fuel economy standards. The LCOS would also require the source of octane to be a话柄/ evidence of refinery to reduce GHG emissions compared to gasoline.

At the state level, ACE is also working to increase ethanol use through a Midwest Clean Fuel Standard (CFP), which would serve as a tool to drive ethanol demand. A properly structured statewide CFP would give a shot in the arm to our federal effort to commercialize high octane fuel. This effort also enables us to be proactive at the state level, giving our members something to advocate for and our elected officials something to push for on our behalf.

If we fail to position corn ethanol as part of the solution to reduce GHG emissions others will fill the void to position us as part of the climate solution. We’ve reached an election year, and ACE will be paying attention to what the president and Democratic candidates have to say as they speak to voters about climate change.
STAY UP TO DATE WITH THE LATEST ETHANOL INDUSTRY NEWS IN 2020 WITH ACE’S BIMONTHLY PUBLICATION, ETHANOL TODAY ON ETHANOLTODAY.COM!

SAVE THE DATES

2020 ACE WASHINGTON, D.C. FLY-IN & GOVERNMENT AFFAIRS SUMMIT
APRIL 2-3 • WASHINGTON, D.C.
The Hyatt Regency Washington on Capitol Hill

2020 ACE ANNUAL CONFERENCE
AUGUST 12-14 • MINNEAPOLIS, MN
The Renaissance Minneapolis Hotel, the Depot

TO REGISTER & FOR MORE DETAILS VISIT ETHANOL.ORG/EVENTS

TENTATIVE ACE WEBINAR DATES
Q1: March 3 | Q2: May 12 | Q3: September 15 | Q4: December 8
To view past webinars and to register for future webinars, please visit www.ethanol.org/events/webinar