April 13, 2020

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250

Dear Secretary Perdue:

On behalf of the members of the American Coalition for Ethanol (ACE), I write to urge the United States Department of Agriculture (USDA) to utilize funding in the recently-enacted Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide emergency assistance to ethanol producers suffering from the economic fallout of the COVID-19 pandemic. ACE supported Congressional efforts to increase funding for the Commodity Credit Corporation (CCC) in the CARES Act and encourages USDA to use it to help ethanol producers as you address other economic needs in rural America.

As the economy grinds to a halt to slow the spread of COVID-19, ethanol production, use, and prices have fallen to record lows. Over half of U.S. ethanol facilities have idled or reduced output, and more than 5 billion gallons of production is currently offline. EIA’s Short-Term Energy Outlook for April forecasts ethanol use will fall by nearly 2 billion gallons this year while ProExporter estimates ethanol use could drop more than 3 billion gallons, implying corn demand for ethanol will decline by at least a billion bushels for 2020.

As we discussed the use of the CCC program with Congress, focus centered on paying ethanol producers for the grain they already purchased and consumed this year. This is a means to compensate ethanol producers for grain they purchased from farmers for which they are now suffering staggering economic consequences. CCC funding would represent an immediate action USDA can take to help ethanol facilities keep their workforce paid and the lights on.

Beyond an immediate cash infusion, we seek your assistance in helping the Environmental Protection Agency (EPA) recognize it needs to correct a problem regarding implementation of the Renewable Fuel Standard (RFS) which has been exposed during this pandemic. Specifically, we would appreciate your support to ensure that EPA acts on the three specific steps we have outlined to stabilize ethanol demand in a recent letter (attached) we sent to Administrator Wheeler.

As you know, the RFS law instructs EPA to set the total percentage renewable volume obligation (RVO) at a level to “ensure the requirements” of the statutory obligations are met. At the time EPA set the 2020 blending obligation of 20.09 billion gallons and the RVO at 11.56 percent, the Agency projected gasoline demand of 143 billion this year. Today, due to the social distancing from COVID-19, as gasoline demand falls, it leads to reductions in ethanol blending, meaning the 11.56 percent RVO will not result in the use of 20.09 billion gallons of total renewable fuel in 2020 as required by statute.

Fortunately, EPA has authority to quickly address this problem. Our letter to Administrator Wheeler urges EPA to take three steps. First, use existing statutory authority to issue an interim final rule by July 1 to increase the RVO for 2020 to the percentage necessary to ensure that the full 20.09 billion
gallons required by law are used. Second, restore the 500 million gallons of remanded volume as ordered by the DC District Court in 2017. Finally, based on the recent Tenth Circuit Court precedent regarding small refinery exemptions (SREs), EPA should deny most of the 25 SRE waivers pending for the 2019 RFS compliance year.

The Administration has already used the interim final rule authority to address the economic fallout of COVID-19. For example, the Small Business Administration (SBA) used this authority to provide economic assistance on April 2, 2020 stating the economic impacts resulting from federal, state, and local public health measures to minimize exposure to COVID-19 justified such action.

While the Administration works international channels to spur a cut in oil production from OPEC nations to aid U.S. oil interests by buoying oil prices, these actions do not help the ethanol industry. EPA taking action to ensure the full 20.09 billion gallons is used under the RFS in 2020 would be a corresponding and equitable step for the ethanol industry.

These issues are critical to the economic survival of many U.S. renewable fuel producers, farmers, and rural communities. We urge quick action. Thank you for your time and consideration.

Sincerely,

Brian Jennings, CEO
American Coalition for Ethanol

cc: The Honorable Steve Censky, Deputy Secretary, USDA