



**Remarks of Brian Jennings
CEO
American Coalition for Ethanol (ACE)**

**“The ACE” Conference – “Intensity”
Omaha, Nebraska
August 11, 2022**

Thank you very much Dave, for your remarks, and more importantly, for the tremendous support, leadership, and enthusiasm you bring to your role as President of the ACE Board of Directors.

Dave mentioned our fly-in next Spring, making me think about Shannon Gustafson, a longtime ACE staffer and friendly, familiar face to those of you who have attended our events over the years. She is not with us in Omaha this year. After 18 years of successfully overseeing our fly-ins and conferences, Shannon wanted better work-life balance and asked to go part-time. Gratefully, we still get to see her from time to time.

Luckily for us, in her new role as Vice President of Public Affairs, Katie Muckenhirn is taking over the fly-in and conference, among many other duties. Putting this event together takes an enormous amount of work, especially when it is your first, time, and I am sure you will agree she done an extraordinary job! Thanks Katie!

Shannon and Katie aren't the only ones with new roles. We are excited about the addition of Ashley Borchert and Anna Carpenter to the ACE team as well. Ashley, who is helping expand our communications capacity, has been with us since January, and Anna, who literally started this week, will serve as our primary membership liaison. I hope you get a chance to meet them.

These new faces and roles will certainly change how we do things at ACE, but, our intense focus on the ethanol-demand side of the equation will remain.

E15 year-round

That means our most urgent priority is capitalizing on ethanol's ability to reduce pump prices and emissions to secure uninterrupted market access for E15 on a year-round basis.

You would think two different presidential trips to Iowa announcing approval of E15¹ would have gotten the job done, but the Trump waiver was overturned by the DC Circuit Court last year, and Biden's waiver is temporary, it only applies to the 2022 summer driving season.

So, our goal is market access in conventional gasoline areas of the U.S. for 2023 and beyond, and I'm pleased to report progress is being made.

¹ President Trump announced a CAA waiver for E15 year-round during a June 11, 2019 visit to Southwest Iowa Renewable Energy (SIRE) which was challenged by refiners and overturned by the DC Circuit Court on July 2, 2021. President Biden announced a temporary, emergency CAA waiver for E15 year-round for the 2022 summer driving season in response to fuel price and supply concerns during an April 12, 2022 visit to Poet Menlo.

First, thanks to Nebraska Governor Ricketts and many of his counterparts, nine Midwest states have petitioned EPA to allow E15 year-round. We expect the Agency will take the first step in a process to support their request sometime this month. No doubt, EPA regulations are time-consuming and *always* at risk of being overruled through litigation, but we believe the approach taken by the Midwest Governors is durable and will survive any legal challenge.

Ultimately, the only bulletproof approach to nationwide and permanent market access for E15 is for Congress to act, and the second area of progress involves bipartisan legislation enacted by U.S. House of Representatives in response to record high pump prices back in June to do just that; allow nationwide and permanent E15 market access. Between now and the end of the year, we will work with our champions in the Senate to identify ways to get E15 legislation to the President's desk.

Renewable Fuel Standard (RFS)

Whether it is E15, E85, or some blend in-between, the Renewable Fuel Standard (RFS) can be a powerful tool for increasing ethanol demand, if EPA implements it as intended by Congress.

After years of mismanagement, under Republican and Democratic administrations alike, we are hopeful EPA's 2022 Renewable Volume Obligation (RVO) and recent action restoring sanity to the way Small Refinery Exemptions (SREs) are handled, *begin* to get the RFS back on track. After all, a 15-billion-gallon RVO for 2022 combined with a 250-million-gallon blending requirement in response to a lawsuit we won against EPA, look great on paper.

However, the Agency has an affinity for helping refiners escape their lawful obligation to blend increasing volumes of E15 and E85, forcing us to constantly be on-guard, and it's even more important as we go into 2023 and beyond because the statute gives EPA *even more* discretion to set annual blending levels. Be assured ACE will remain vigilant to combat any potential mismanagement.

Monetizing Climate Smart Agriculture through Ethanol

Knowing much more needed to be done, beyond the RFS, to increase demand well into the future, about 4 or 5 years ago we intensified efforts to promote ethanol as part of the climate solution.

Whether working to improve and update lifecycle models such as GREET which are used to determine the carbon intensity of fuels like ethanol, or, highlighting how ethanol is the only low carbon fuel able to achieve both net-zero and net-negative GHG emissions, ACE has been strategically and methodically laying the groundwork for ethanol producers and farmers to benefit from new clean fuel markets.

Our latest mission involves a phrase that is all the rage these days; "climate-smart agriculture," which is just another way to describe farming practices which help sequester carbon in the soil or reduce GHG emissions. Examples include a farmer switching from conventional tillage to reduced tillage, adopting 4R nutrient management, or planting cover crops.

No matter what they are called, farmers obviously incur a cost, and sometimes an initial yield hit, to make these changes in their operations, so they must be able to get a return on their investment, to monetize the practices in a marketplace.

At the moment, farmers are getting inundated with offers from private companies who want to take credit for things like reduced tillage in voluntary carbon markets. The trouble is, the meager payments offered by these companies do not cover a farmer's cost to adopt the practices, and, they pale in comparison to what farmers could potentially earn through a clean fuel or low carbon fuel market.

To make informed decisions about whether and how to participate in carbon markets, farmers need reliable advice, someone trustworthy, and ACE is in a unique position to help because agriculture is part of our DNA. In fact, ACE was established in 1987 because farmers were trying to add value to their commodities and save their rural communities, and they believed promoting ethanol would get that job done. While a lot has changed over the last 35 years, ACE has remained a grassroots, farmer-led organization. We have an obligation to help farmers understand they don't need to rush into a voluntary carbon market. They don't need to cave to the pressure and accept pennies on the dollar so some big company can advertise its products as "green," or "sustainable."

We believe farmers should have the opportunity to monetize climate-smart practices by selling their corn to an ethanol plant which has a pathway into a clean fuel market, where carbon credits fetch significantly greater value than in voluntary programs, generating more than enough revenue to justify making changes to their farming practices.

California's Low Carbon Fuel Standard represents the largest existing clean fuel market, but, California has *not yet* allowed carbon credits for ethanol based on climate-smart farming practices. We are determined to change that. ACE is currently engaging California market regulators, as well as those developing legislative proposals for new clean fuel markets in Midwest states such as Nebraska and Minnesota, to enable ethanol producers and farmers to generate carbon credits based on things like 4R nutrient management and reduced tillage.

In terms of value, as Jonathon Lehman will reveal during the panel discussion immediately following this morning's refreshment break, we did an analysis to show what the maximum potential economic benefit would be for ACE member plants and the farmers supplying corn to them if the full-suite of climate smart practices were monetized in a clean fuel market, and the number is just shy of \$1 billion per year.

For those who want to take a deep dive into the factors, regulations, and opportunities surrounding the carbon intensity of corn ethanol, please join John Christianson, Ron Alverson, and myself in a breakout session at 4 o'clock today for a demonstration of ACE's new Carbon Intensity Calculator, which was invented by Mr. Alverson.

It was also about 4 or 5 years ago when ACE began alerting our industry it would be a matter of when, not if, Congress would take significant action on climate change. And sure enough, Congress is on the verge of sending far-reaching budget reconciliation legislation to the President's desk which will provide half a billion dollars for E15 and E85 infrastructure, invest a whopping \$18 billion to support climate-smart agriculture, reward fuels like ethanol with a new clean fuel *production tax credit based on carbon intensity*, establish a new sustainable aviation fuel tax credit *based on carbon intensity*, and give a big boost to projects which capture and sequester carbon – are you picking up on the common theme here?

This (reconciliation) bill is not perfect. There is no such thing as perfect legislation. It does not contain everything on our wish list, but it does contain some incredible incentives for farmers and ethanol producers looking to capitalize on carbon intensity.

Had ACE been defiantly standing on the sidelines these last 4 or 5 years, not engaging policymakers about how corn ethanol is part of the climate solution, others would have filled the void to position us as part of the climate problem. I am proud to work for members who chose engage. We made the right decision. Our proactive approach is beginning to pay big dividends, to create new opportunities for farmers and ethanol producers. I want to congratulate ACE members, and thank you for your support.

Now, please welcome Ron Lamberty, our Chief Marketing Officer, to the stage for his remarks.