



Iowa Renewable Fuels Summit

Des Moines, Iowa

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Remarks by Bob Dinneen, RFA President and CEO

As prepared for delivery:

Thank you, Ray. You know, Ray is a true but humble leader for the US ethanol industry. You don't know real humility until you've been beaten in golf by a one-armed man

I want to thank Walt Wendland, Monte Shaw and the Iowa RFA for the invitation to speak here today. I am honored by the invitation. Walt is an RFA Board Member and a member of the RFA Executive Committee, so when he says jump, I'll gladly say, "how high?!" Monte, on the other hand ... not so much. Actually, I love Monte Shaw and he has been a strong advocate for ethanol producers and rural America. He's smart, and dedicated, and committed to the growth of this industry, and I value the time he worked for me almost as much as I enjoyed firing him every time his Yankees beat my Red Sox. Thankfully, he still worked for me in 2004 when I exacted my revenge.

I'm also honored to be sharing the stage today with such strong ethanol advocates as Governor Terry Branstad and Speaker Newt Gingrich.

As you may know, Governor Branstad was a founding member of the Governors' Ethanol Coalition and throughout his career he has worked tirelessly for farmers and value-added agriculture and ethanol. You are lucky to have a man of such vision and character leading your state. Of course, you've proven to find the very best to lead your state. Your entire congressional delegation, Senators Grassley and Harkin, and Congressmen Latham, Boswell, Braley, Loebsack and King are all dedicated public servants that work hard for farmers and the State of Iowa every day.

And it's a special privilege to be the warm up act for Speaker Gingrich, one of the most thoughtful public servants I have ever known. He's a man of strong convictions and the resolve to see his ideas through. Let me tell you a quick story about Newt Gingrich that reflects the depth, not only of his resolve, but of his understanding of the important role ethanol can play in our fuel supply.

In 1997, when the RFA was fighting to extend the ethanol tax incentive, the then Chairman of the House Ways and Means Committee was Bill Archer of Texas. Chairman Archer was not enamored with ethanol. Frankly, he wanted the industry, then only about a billion gallons strong, to fail. He was quite comfortable seeing the nation's dependence on oil continue. He had made it abundantly clear that he would NOT allow the ethanol tax incentive to be extended, not on his watch. But Newt Gingrich had a

broader vision. He recognized the role that ethanol could have in extending our fuel supply, lowering consumer gasoline prices, strengthening rural economies and improving our environment. So when it came time to appoint conferees to a tax conference where the fate of the ethanol tax incentive was to be decided, Speaker Gingrich simply refused to appoint the Chairman of House tax writing committee to its own Conference Committee! It was unprecedented. It was bold. And it assured the extension of the tax incentive through 2005. The date was May 5, 1997 as I stood with the Speaker, Congressmen Jim Nussle and John Thune at a press conference announcing the conferees. And while most celebrate Cinco de Mayo as Mexico's independence, I still celebrate it as a day when a dedicated public servant, Newt Gingrich, took a stand for OUR nation's energy independence. So, today, even 14 years later, I want to say, thank you, Speaker Gingrich.

Speaker Gingrich took heat for that decision. You see, the ethanol industry's detractors have been around for a long time. But he didn't back away. He didn't tilt toward the windmills of the day as too many politicians are wont to do.

Recently, former Vice President and presidential candidate Al Gore stated his past support for ethanol was wrong and that it had only been predicated on his political aspirations. Somehow he feels that acknowledging he had been pandering to Iowa then is an act of political courage now. Well, I think Al Gore's recent epiphany says far more about him than it does about ethanol. He now expresses concern that ethanol is driving up food prices – he's wrong. He now says ethanol may actually increase carbon emissions – he's wrong. He now says ethanol doesn't benefit the nation's energy security – he's wrong there too!

Some pundits have pointed to Al Gore's cynical explanation for his past ethanol support as another reason to abandon Iowa's longstanding role as the nation's first contest for the presidency. No. I see it as yet further justification for Iowa's important role. Iowans have always been able to discern sincerity from cynicism. And I expect you will continue to do so. In the next year, lots of folk are likely to be coming through Iowa. I expect you to continue to hold their feet to the fire on all issues of national importance, including energy security, value-added agriculture and ethanol. Vet the men and women seeking your support to assure they sincerely share our vision of a more energy independent America.

And when some in the news media and political pundits accuse those expressing support for ethanol as appealing to a special interest, remind them that energy security is in the national interest. When they regurgitate the talking points of our opponents and say ethanol is driving up food prices, remind them that energy costs are the single largest factor in the price of food, and that ethanol is the only weapon we have today in the battle against skyrocketing oil prices. If they try to say that growing corn in Iowa to make ethanol is causing deforestation in South America, tell them to look at the data where they will see that grain used in ethanol production only accounts for less than 2% of the acreage used in the production of grain, and that deforestation has actually been falling as ethanol production has been increasing. And then tell them to look at the environmental consequences of tar sands and deep water drilling and hydrolic fracking.

Over the next twelve months, you in Iowa have a tremendous opportunity to educate those seeking the highest office in the land and the media elite that follow them. Do not be cowed by the cynicism of those that have been hoodwinked by the oft-repeated myths of our opponents.

Show them how 41 ethanol refineries and 12 biodiesel refineries in Iowa are supporting more than 80,000 jobs.

Show them how the industry in this state produced 3.5 billion gallons of clean-burning biofuels last year – 300 million gallons more than the year before and more than a quarter of the nation's total ethanol production.

Show them how your industry contributes about \$12 billion to Iowa's economy and provides almost \$600 million in state and local tax revenues, helping to pay for police and fire protection and public schools.

Show them how – as a study by the Iowa RFA detailed last year – the production of renewable fuels contributes to the resilience of rural economies, providing reliable markets for farmers, good-paying jobs for workers, customers for small businesses, and new hope for communities even in the midst of the recession.

You have great achievements to show and great stories to tell. And they demonstrate what a strong and growing renewable fuels industry can mean for our entire country – not only the Corn Belt but also communities from coast to coast and border to border – if only our nation's leaders have the wisdom and the vision to continue this great American success story.

It is critical that you tell that story loud and proud, not just because of the need to educate potential presidential candidates and political pundits, but because all of Washington will be watching what goes on here; and the newly sworn 112th Congress will likely decide the future of our industry. There are 106 new members of the House of Representatives, that's one in four members that have had little to no exposure to the ethanol debates – save the distorted and dishonest editorializing of the Wall Street Journal. We need to make sure they're hearing your story, your success, your vision for a more sustainable energy future.

As you know, in December the Congress passed and the president signed into law a short term extension of the ethanol tax incentive. What you may not know, is that your senator, Chuck Grassley, had an incredibly important role in that success. While many were involved, including most certainly the White House, Senator Grassley's indefatigable leadership made it happen. There is simply no more passionate, dedicated or effective advocate for ethanol on Capitol Hill than Senator Chuck Grassley – period. Working with White House senior staff and Senator Jon Kyl, not known for his ethanol advocacy, Senator Grassley insisted the ethanol and biodiesel tax incentives be extended, or the tax bill would not pass. Without question, Senator Grassley's stubborn leadership on behalf of Iowa farmers and the nation's ethanol industry, combined with the President's vision for a more sustainable energy future, kept plants from shutting down and saved tens of thousands of jobs. Thank you, Senator Grassley. And thank you, Iowa, for sending them both to Washington.

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We must all recognize, however, that last year's improbable legislative success, in the face of unprecedented opposition, tees up a much more comprehensive and potentially pivotal debate about future ethanol policy in this Congress. 2011 may well be a seminal year that dictates the pace and direction of biofuels in this country.

The opposition is organized and well-funded. We must be unified and disciplined in our message. We can't legislate with wishes and bumper sticker slogans. We need to recognize the need to reform the existing tax incentive to reduce cost, encourage innovation and reflect changing market conditions. But we should not be bullied into abandoning a structure that has worked quite well, enabling marketers to invest in the infrastructure for a growing industry while lowering consumer gasoline prices for consumers. Yes, we are a larger and more mature industry than when Newt Gingrich worked with the RFA to orchestrate a long-term extension in the 90's. But we're still vulnerable to the wild gyrations of the oil market, and our customers are still our competitors and they wield enormous power over our markets. We need a tax policy for the modern day ethanol industry that is as dynamic and efficient as you are.

The discussion about future ethanol policy must also include a meaningful effort to accelerate the commercialization of cellulosic ethanol and other advanced biofuels. Clearly, existing policy isn't doing the job. The technology is there. But investment dollars have been slow to flow to this important sector. Last week, USDA approved three loan guarantees for plants with the potential to add 73 million gallons of cellulosic ethanol production. That's a great start. But if the requirements of the RFS are to be met, much more will need to be done. Tax policies that stimulate investment in these innovative technologies are essential to the industry's future.

Tax policy can also do much more to encourage the investment in necessary infrastructure. We need more blender pumps out there to enable more widespread use of E15, other mid-level ethanol blends and E85. The existing infrastructure credit is unnecessarily restrictive and needs to be expanded if we are to build beyond the 2,300 pumps nationwide currently offering more than 10% ethanol blends. As a soon to be released RFA report will outline, we can achieve the goals of the RFS through increased ethanol infrastructure with a smart, targeted approach and let the marketplace take it from there.

And as Brazil has done, let's contemplate a meaningful tax incentive to encourage consumer demand for Flex Fuel Vehicles. We have 8 million FFVs on the road today, and that's a great start, but we will need far more if the US is ever to meet the potential of its renewable energy resources.

It's critically important that we not allow a unilateral disarmament for ethanol. Let's demand a broader conversation about motor fuel tax policy.

Why, for example, must taxpayers continue to subsidize petroleum fuels that have enjoyed a monopoly in fuel markets for a hundred years? Why should we have to defend the investments made in renewable fuels every year, while the subsidies for petroleum remain embedded in the tax code permanently? Why should taxpayers subsidize the foreign investments of oil companies that simply rob Americans of jobs and stifle investment here at home? Why should taxpayers foot the bill for restoring

the ecological damage and rebuilding the economies of communities wracked by environmentally catastrophic oil spills? And why must the best and brightest of Iowa and the nation be asked to risk their lives protecting the free flow of oil in parts of the world that would just as soon see us leave?

I welcome a debate about the efficacy of a tax incentive that empowers the small business owners that operate corner gas stations to utilize a homegrown renewable fuel. I look forward to telling Congress how the existing tax incentive has saved consumers money by reducing gasoline costs, improving our balance of trade, stimulating rural economies and cleaning the air in our nation's cities. I wonder, however, what oil company lobbyist could make a compelling case for continuing their foreign investment tax credit or their accelerated depreciation allowance that simply furthers our dependence on oil.

The petroleum industry has benefited from more than 100 years of incentives, subsidies and preferences that are now so embedded in the tax code they're almost impossible to find. Estimates show oil companies are the recipients of up to \$280 billion annually – NOT including the Defense Department budget committed to protecting shipping lanes in the Persian Gulf. As we commit to a meaningful reform of the ethanol tax incentive, everything must be on the table. Because in the energy market, it's more than just access, it's economics that will determine the future of our transportation fuels.

There are market access issues, of course. And last week EPA took another important step to providing consumers a new choice at the pump that holds promise for enhancing US energy security. By allowing E15 for use in 2001 and newer vehicles, EPA has potentially made E15 available for about 60% of the vehicles on the road. That's good news. And while we still believe the Agency has missed an opportunity to truly grow the market for ethanol by making E15 available to all vehicles, we must now go about the business of making the most of the opportunity we have and grow this market.

Of course, EPA must still finalize their labeling and misfueling regulation made necessary by their decision to bifurcate the E15 ruling. The label they have proposed, which warns consumers that E15 could "damage other vehicles," is misleading, unsupported by the scientific record, and could potentially discourage consumers from using any ethanol fuels. EPA needs to inform consumers, not scare them. Their label must go.

Other issues have to be addressed as well. We need to finalize and submit health effects data to the agency. I can report to you that the test program being conducted by RFA and Growth Energy is near completion and should be submitted to EPA within weeks. The data looks good. The emissions testing conducted by Southwest Research Institute identified no new species not already present in either ethanol or gasoline. That means there should be no unknown health risks with this new fuel. As a consequence, ethanol producers will soon be able to register the fuel for commercial use.

The RFA is leading the effort to address other issues, such as octane certification and a specification for E15 blendstock at ASTM. We expect those issues to be resolved by spring.

There are also a host of state regulatory issues we need to address, although thanks to the leadership here in Iowa, marketers here should be able to offer E15 to more than just FFVs much sooner than in other states because you do not have some of the barriers that exist in other states.

The real challenge will be to convince gasoline marketers to use the fuel and there the RFA is working with the Petroleum Marketers Association, independent gasoline markets, convenience store operators and others to resolve their liability concerns.

Ultimately, EPA will have to address older vehicles, allowing consumers with vehicles older than 2001 to use E15 as well. The RFA sponsored a study by an internationally recognized automotive engineering firm – Ricardo, Inc. – which found that moving from E10 to E15 does not harm older model vehicles. To fully realize the potential of E15, to maximize the energy and environmental benefits of our renewable energy policy, to grow the market for cellulose and other advanced biofuels, and to provide consumers the choices they all deserve, E15 must be made available for all vehicles.

As an industry, we have many challenges to face that do not involve Washington. The RFA and Growth Energy have joined forces to battle California's Low Carbon Fuel Standard, which we believe unconstitutionally attempts to regulate the way you produce ethanol in Iowa for little to no environmental benefit in California. We are confident that California's "Do Not Enter" sign will be torn down soon.

The RFA is continuing to work with the American Coalition for Ethanol, the National Corn Growers Association and several state corn grower groups to promote the expanded use of blender pumps through our Blend Your Own Ethanol program. We are well on our way to our goal of 5,000 blender pumps by 2012.

There are also numerous technical issues facing the industry, from RFS2 implementation to greenhouse gas reporting and scoring to environmental and safety compliance. The RFA is providing its members guidance on each of these, but as the industry continues to grow, so will the technical agenda. We'll need everyone's participation.

In the months ahead, we need a wide-ranging, well-reasoned debate about America's renewable fuels future. We need to inform that debate. And we need to do it together, as one industry.

We have come this far because we are one industry that has grown together, that has overcome our obstacles together, and that now must surmount new challenges and seize new opportunities together.

Make no mistake: We will rise or fall together. But, judging by the energy and creativity that I see here today, this industry is ready to confront the challenges ahead as you always have, with determination and passion and an unshakable vision for the potential of Iowa farmers to provide food, feed and fuel for all America.

Thank you all for everything you are, everything you have done and everything we will do together.