



June 15, 2020

The Honorable Bobby Rush
Chairman, House Energy and Commerce Subcommittee on Energy
United States House of Representatives
Washington, DC 20515

The Honorable Fred Upton
Ranking Member, House Energy and Commerce Subcommittee on Energy
United States House of Representatives
Washington, DC 20515

Chairman Rush & Ranking Member Upton,

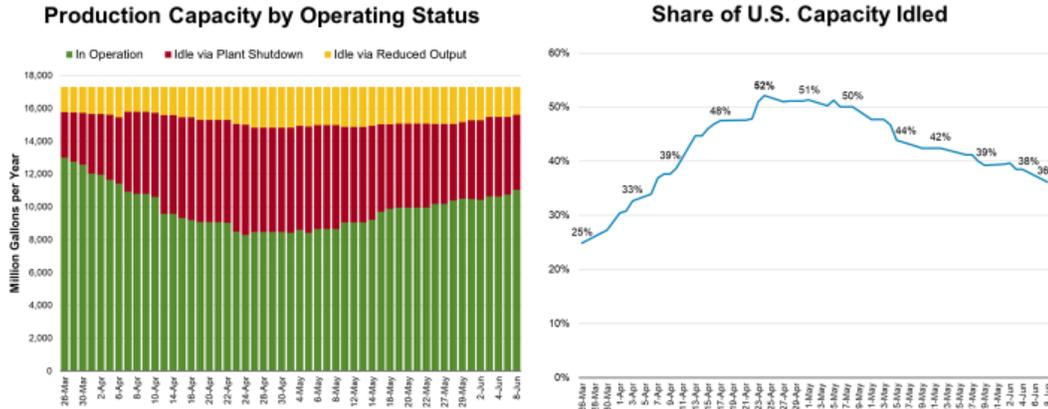
I am writing today on behalf of the Renewable Fuels Association regarding the House Energy and Commerce Subcommittee's hearing on *Reviving our Economy: COVID-19's Impact on the Energy Sector*, being held June 16, 2020. The renewable fuels industry has suffered significant economic harm as a result of the COVID-19 global pandemic. As Congress continues to consider aiding those sectors of the economy hardest hit by the pandemic, we urge you to ensure the renewable fuels industry is not left behind. As you know, protecting the health and soundness of the renewable fuels industry is vital to the economic prosperity of rural America.

RFA is the leading trade association for America's renewable fuels industry. We endeavor every day to advance the development, production and use of renewable fuels by strengthening America's ethanol industry and raising awareness about the benefits of domestic biofuels. Founded in 1981, RFA serves as the premier organization for industry leaders and supporters. With over 300 members, we are working to help America become cleaner, safer, more energy secure, and economically vibrant.

The COVID-19 pandemic has had a devastating impact on the U.S. ethanol industry. From the beginning of March to the middle of April, well over half of the ethanol plants in the United States either idled completely or significantly slashed output. More than eight billion gallons of production capacity came offline in just seven weeks, representing 52 percent of the ethanol industry's annual production capacity. It was the most rapid and precipitous drop in production in the industry's history and impacted more than just renewable fuel production. Other critically important products manufactured at ethanol plants were also affected—livestock feed (called "distillers grains"), corn distillers oil and carbon dioxide gas used in food and beverage markets, wastewater treatment,

medical uses, and other applications. The impacts across rural America and consumer goods are still being felt, even as the nation begins to emerge from quarantine.

Sharpest Downturn in Industry History



Source: RFA



Importantly, the ethanol industry was already suffering from the international oil glut created by the dispute between Saudi Arabia and Russia that drove prices for all liquid fuels to their lowest point in several decades. The combination of global oil market forces and government-imposed COVID-19 shutdowns has left the U.S. ethanol industry on the brink of disaster.

As the COVID-19 pandemic and crude oil glut continue to ravage world fuel markets, U.S. ethanol sales in 2020 are expected to fall by more than \$10 billion and the industry’s contribution to gross domestic product (GDP) could drop by nearly one-third. This economic damage goes far beyond the ethanol sector. America’s farmers will also be negatively impacted, as ethanol typically provides a market for two out of every five rows of corn and more than one-third of the annual sorghum crop. Building on the results of a recent Purdue University study, the RFA estimates that ethanol production could fall by approximately 3 billion gallons in 2020, representing a nearly 20 percent cut from levels that would have otherwise been expected. Mainly due to lower usage and high inventories, ethanol prices could be 56 cents per gallon lower, on average, from March to December than they otherwise would have been; as a result, ethanol sales fall to \$12.5 billion in 2020, a 46 percent reduction from the \$23 billion that would have been expected absent COVID-19.

Many companies were able to utilize the Paycheck Protection Program (PPP) to help them in their efforts to retain a highly specialized workforce. But it has not been enough to assure the industry will emerge from this pandemic as the stable economic engine and robust employer so many rural communities have come to depend upon. We would respectfully, but urgently, request that as the Congress considers further economic

stimulus allowing the country to reopen successfully, that direct financial support for the U.S. ethanol industry be included. The HEROES Act passed by the House of Representatives includes the Renewable Fuel Reimbursement program, which provides a vital lifeline to the industry. This program would lend a crucial helping hand and ensure that ethanol producers are able to participate in the economic recovery from COVID-19.

This assistance would help restore jobs in the ethanol industry and resuscitate the rural economies that depend on their local ethanol plants to boost the tax base and drive economic activity. In 2019 (i.e., before COVID-19) the industry supported 350,000 jobs, contributed \$43 billion to GDP, paid nearly \$10 billion in taxes, and boosted household income by \$23 billion. Notably, one in five employees in the ethanol industry is a military veteran – triple the national average—according to the Department of Energy. Ethanol is far and away the single most important value-added market for farmers and is the economic anchor for small towns in the heart of America and from coast to coast. As ethanol production collapsed and plants idled in March and April, corn prices plummeted. As an example, cash corn prices in Iowa hit \$3.90 per bushel in early March, but by the end April had fallen more than 20 percent to just \$3.05 per bushel – well below the cost of production.

Even as the ethanol industry has struggled to survive, it has stepped up to help America fight the unprecedented challenge presented by COVID-19. Recognizing the critical need for alcohol used in hand sanitizer, many companies retooled to produce the higher-grade ethyl alcohol that comprises between 60% to 80% of every bottle of hand sanitizer. In many cases, ethanol facilities donated product to local first responders, hospitals, and other essential workers. They have done this despite inconsistent and confusing regulatory guidance from the U.S. Food and Drug Administration (FDA) that has unnecessarily limited supply. Faced with a similar shortage, Health Canada worked with the Canadian ethanol industry to temporarily adjust regulatory barriers and encourage innovation and new production. Indeed, FDA's intransigence has resulted in large supplies of U.S.-produced ethyl alcohol being shipped to Canada for hand sanitizer even while we import supplies from China to fill the gap in the domestic market.

More troubling, however, is the news that the Environmental Protection Agency (EPA) is continuing to mismanage the Renewable Fuel Standard (RFS). In a cynical attempt to circumvent a recent federal court ruling that overturned illegally issued RFS small refinery exemptions (SREs), EPA is now reportedly planning to provide so-called “gap-year” waivers to small refineries. In a January 24, 2020, decision, the U.S. Court of Appeals for the 10th Circuit held that SREs were intended to serve only as a temporary “bridge to compliance” for small, independent refiners, and that EPA can only grant “extensions” of SREs to companies that had them previously and had demonstrated that compliance with the RFS—not market factors—caused them “disproportionate economic harm.” Granting retroactive “gap year” waivers to small refiners today in an attempt to water down the 10th Circuit ruling would be tantamount to the Agency rewriting history and intentionally subverting the statutory purpose of the RFS.

Even more uncertainty is facing the ethanol industry as EPA remains silent on requests for general waivers of the RFS submitted by six oil-state governors. The governors argue that an RFS waiver is needed to alleviate distress on refiners caused by COVID-19, even though the statute clearly specifies that waivers may only be issued if economic harm is being caused to a state, region, or the nation by the RFS. The law and EPA's existing policy only allows general waivers to be granted when the RFS itself is causing harm, not some other factor like COVID-19. EPA's failure to quickly and firmly deny these spurious requests is fueling uncertainty in the market and further harming U.S. ethanol producers.

We simply ask that the RFS be implemented as Congress intended, and that EPA cease its senseless quest for ways to undermine the nation's most successful renewable fuels program. Now, more than ever, the ethanol industry needs the certainty, stability and assured market access that the RFS was intended to provide. Now is not the time to see it eroded by an Agency that appears intent upon boosting the profits of oil companies at the expense of farmers and consumers across the country.

Sincerely,

A handwritten signature in black ink that reads "Geoff Cooper". The signature is written in a cursive, slightly slanted style.

Geoff Cooper,
President and CEO