

**2023 State of the Industry Remarks  
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(As Prepared)**

Good morning! Welcome to the National Ethanol Conference! Thank you for being here! We have a great conference planned for you over the next day and a half.

I wanted to kick things off this morning by talking about Persistence. What do you think of when you hear that word? Who do you think of?

I think of Thomas Edison, who overcame numerous challenges to become one of the greatest inventors and innovators of all time. Edison invented the phonograph, the alkaline battery, the motion picture camera, and the automatic telegraph. He improved the telephone, perfected the light bulb, and developed many other products that enhanced the quality of life for billions of people.

But for every one of his successful inventions or discoveries, Edison had hundreds of failed ideas and worthless patents—like the electric pen, the talking doll, and concrete furniture.

When asked if these failures and flops had discouraged him, Edison replied: “I have not failed 10,000 times. I have not failed once. I have succeeded in proving that those 10,000 ways will not work. When I have eliminated the ways that will not work, I will find the way that will work.”

Now that’s persistence!

And it typifies the same sort of resolve and perseverance the U.S. ethanol industry has always shown. When faced with challenges, roadblocks, and failure, we don’t give up. We continue to innovate. We think outside of the box. We find workarounds.

**We eliminate the ways that won't work...and find the way that will work.**

And just as persistence paid off for Edison, it paid off for the ethanol industry in a big way last year. Indeed, your persistence was the reason 2022 turned out to be one of the best years in the history of the U.S. ethanol industry.

In 2022, the industry produced 15.4 billion gallons of ethanol, up 400 million gallons from 2021 and a 10-percent rebound from 2020. The industry also produced 36 million metric tons of nutritious animal feed, more than 4 billion pounds of distillers corn oil, and captured 2.8 million tons of carbon dioxide.

Demand perked up as well. Domestic blending in 2022 was a bit higher than in 2021, even though total gasoline consumption was flat. At 10.4 percent, ethanol accounted for a record-high share of U.S. gasoline. And exports were up too, as shipments to Canada, South Korea, Europe, and other markets expanded.

While ethanol production and demand have not yet recovered to pre-pandemic levels, the industry's contribution to the U.S. economy approached record levels in 2022.

Ethanol supported nearly 79,000 direct jobs and another 343,000 indirect and induced jobs across all sectors of the economy.

Last year, the industry generated \$57 billion in gross domestic product—the second-highest amount ever—and boosted household income by nearly \$35 billion.

Meanwhile, average profit margins hit their highest level since the heyday of 2006, resulting in re-investment and economic rejuvenation throughout rural America.

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Our persistence finally paid off in Washington, D.C., too, leading to a string of favorable policy decisions that will drive growth and investment in renewable fuels for years to come.

In fact, I would say 2022 was the most fruitful year for ethanol policy and regulation since at least 2007.

Perhaps the best example of our progress in 2022 was the Renewable Fuel Standard. After years of mismanagement under previous administrations, President Biden and EPA Administrator Michael Regan finally put the RFS back in growth mode.

Last June, EPA finalized a 2022 renewable volume obligation for conventional renewable fuels of 15 billion gallons. So, for the first time in nine years, EPA enforced a conventional renewable fuel volume that actually matched the volume specified by Congress. The 2022 standards also included the highest-ever volumes for cellulosic and advanced biofuels.

The Agency also reinstated half of the 500-million-gallon renewable fuel volume that was illegally waived in 2016. A federal court ordered EPA to restore that volume all the way back in 2017 after RFA and our partners successfully challenged the agency's abuse of its waiver authority. But EPA under the Trump administration ignored the court order. So, we kept pressing. And in 2022, the agency finally took steps to comply.

In addition, EPA denied 69 pending small refinery exemption petitions because those refiners had failed to meet the criteria set forth by the Tenth Circuit Court of Appeals.

Taken together, EPA's actions last June finally brought confidence, integrity, and certainty back to the RFS program.

This didn't just happen on its own. No, it happened because of RFA's persistence. It happened because of our diligent advocacy efforts and relentless outreach. It happened because, for years, we have been engaging policymakers and regulators in a constructive way to promote the benefits of the RFS program. It happened because of our incessant rallying cries to "Get the RFS Back on Track."

And it happened because we took legal action when necessary. Whether it was the Tenth Circuit case on small refinery exemptions or the D.C. Circuit Case on the general waiver, the legal efforts led by RFA have been crucial in restoring order and sanity to the RFS.

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EPA's final rule for 2022 volumes also created important momentum for future growth.

You may recall that when Congress expanded the RFS in 2007, it included specific annual volumes for each type of renewable fuel—but only through 2022.

After 2022, Congress gave EPA much more control and discretion to set RFS volumes. Of course, the absence of specific statutory volumes for 2023 and beyond led some opponents to say the RFS would simply "end" or "expire" when the clock struck midnight on Dec. 31, 2022. If we knew what was good for us,

they said, we would give up on the RFS and move on to something else since it would soon be “expiring” anyway.

In 2016, Texas Senator Ted Cruz said if he was elected President he would begin to phase out the RFS in 2017 and “it would end in 2022.” “That has always been the plan,” he said, adding that the RFS “is slated to end in 2022 anyway.”

Others fully understood the RFS doesn’t expire—but they still attempted to stoke fear about the uncertain fate of the program. They said the program would be doomed without Congressionally specified volumes. They said the ethanol industry should rush to the bargaining table to “compromise” with oil refiners on a fuels policy for 2023 and beyond.

Former Texas Congressman Bill Flores said, “beyond 2022, there is not a certain space for corn-based ethanol,” and he asserted that legislative reform would be “much better than relying on a bunch of bureaucrats beginning in 2022.”

Flores suggested that, to avert a post-2022 disaster, the ethanol industry should support his legislation that would swap the RFS for a flat 9.7% ethanol blending guarantee. He said locking in the so-called “blend wall” would be better for us than letting EPA do its job after 2022.

And the head of the refiners’ trade group told lawmakers that more discretion for EPA in 2023 would create chaos for the RFS program. He said replacing the RFS with a nationwide premium-grade gasoline standard would represent a “compromise solution that would make life better for everyone.”

But we didn’t take the bait! We stood our ground on the RFS. We worked with Congressional champions, fair-minded regulators, and our allies in agriculture to fortify the RFS and ensure a positive outcome from EPA’s “Set” rule.

We persisted.

Over the past several years, RFA met regularly with EPA to drive home our position that the “set” rule should provide growth in every category of renewable fuel beyond 2022 levels. We argued that higher “set” volumes would lower fuel prices, cut petroleum imports, and reduce carbon emissions.

When EPA released its proposed rule in December, it included the steady growth we were hoping to see, and the Agency underscored that higher RFS volumes can “...bolster U.S. energy security, protect consumers from high fuel costs, strengthen the rural economy, and help reduce GHG emissions.”

Specifically, EPA proposed a 2023 conventional renewable fuel volume of 15 billion gallons, along with adding the other half of the 500-million-gallon remand. For 2024 and 2025, EPA proposed conventional renewable fuel volumes of 15.25 billion gallons, the highest ever.

The proposal also included higher volumes for advanced biofuels—but many considered those volumes to be overly conservative. As such, we’ve encouraged EPA to carefully consider the data and comments submitted by stakeholders as it prepares the final advanced biofuel volumes.

We’ve also encouraged EPA to reconsider its proposal for allowing electric vehicle manufacturers to generate credits—or eRINs—for renewable electricity produced from biogas.

Now, we agree that the law allows electricity to participate in the RFS program if it meets certain conditions. But by allowing companies like Tesla to generate eRINs, EPA has proposed to create a novel program for renewable electricity that conflicts with RIN generation methods for all other renewable fuels. We believe EPA’s eRIN proposal is inconsistent with the statutory purpose of the RFS, which is to support the production of renewable fuels—not the production and sale of certain vehicles. So, when EPA finalizes the Set rule in June, we hope it takes a more reasonable and consistent approach to eRINs.

Still, this is a good proposal overall for the ethanol industry. And as this new chapter begins for the RFS, the ethanol industry is in a great place. The “set” rule “sets us up for success”; and, again, that’s because of the RFA’s tireless advocacy efforts.

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But being persistent and patient can be really hard. Sometimes it feels like you’ve tried everything—and nothing is working. Sometimes it feels like every street has a dead end.

I have to admit, our effort to secure year-round E15 has felt that way at times, hasn’t it?

We thought the E15 problem was solved in 2019 when Trump’s EPA issued regulations finally opening the door to year-round E15 sales. But it was a short-lived victory. Oil refiners sued EPA, and, unbelievably, the Court found in their favor in 2021, reversing the EPA regulation and putting the summertime barrier back in place. Another dead end.

But as Edison's dear friend Henry Ford once said: "There are no dead ends. There is always a way out. What you learn in one failure you utilize in your next success."

So, what did we learn from the Court's rejection of the Trump administration's E15 waiver? Well, we learned that a group of persistent Midwest Governors was just as unwilling as we were to take "no" for an answer.

In late 2021, Iowa Governor Kim Reynolds and several other Governors asked EPA for guidance on how best to use their Clean Air Act authority to eliminate the RVP waiver for E10 in their states. Doing so would not only improve air quality, but it would also put E15 on equal footing with E10 by compelling refiners to produce a uniform, lower-volatility summer gasoline blendstock for use in their states.

So, a dialog began between EPA and the governors about this approach in early 2022.

But the administration would soon shift its focus to another issue that needed immediate attention—an impending global energy crisis.

As 2022 began, Russia was amassing military forces on the Ukraine border and an invasion appeared imminent. World energy markets were on edge; and prices for Oil and natural gas began surging.

A day after last year's NEC ended, Russia launched a full-scale invasion on Ukraine.

By mid-March, U.S. oil prices had spiked to \$124 per barrel—the highest level since 2008. Gasoline shortages began to develop, and retail prices shot up to a new record-high of \$4.32 per gallon.

All the while, our industry was steadily conveying a simple message to the White House: Let Us Help!

With ethanol prices far below gasoline prices, we argued that expanding the use of ethanol could help contain high pump prices and deliver economic relief to American drivers. Specifically, we called on President Biden to take emergency action to allow E15 sales to continue during the busy summer driving season.

Our outreach was persistent. In addition to dozens of phone calls, letters, and meetings, the administration's social media channels and email inboxes were bombarded each day with hundreds of pictures from all over the country showing E15's considerable savings at the pump. And it got their attention. They came to

realize that E15 was saving consumers real money with every fill-up, and they understood that bagging E15 nozzles on June 1 would result in another unwelcome price hike for drivers.

So, President Biden responded. In mid-April, he announced that EPA would issue emergency waivers to allow continued sales of E15 all summer long, stating that adding more ethanol to gasoline “stretches the supply” and provides “competition” and “better prices.”

And he was right. Thanks to the emergency waivers, E15 volumes surged to record levels as consumers flocked to the lowest-cost option at the pump. Last summer, E15 sold for 20-30 cents per gallon less than regular gasoline, on average, saving drivers roughly \$4-5 with every fill-up.

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But that was last summer. What about this summer? Will consumers still be able to purchase lower-cost, lower-carbon E15 when the calendar turns to June?

Unfortunately, unless the Administration or Congress act quickly, the answer to that question will be NO.

Which takes us back to the Governors’ effort. Last April, after receiving guidance from EPA, eight Midwest Governors—led again by Governor Reynolds—formally petitioned the Agency to remove the RVP waiver for E10 and permanently level the playing field for E15 in their states.

By law, EPA had 90 days to approve the Governors’ petition, which means this should have all been done last July and ready to go for this coming summer.

But instead of approving the Governors petition within the required 90 days, the White House sat on it for **TEN** months!

We are hearing that TODAY—307 days after receiving the Governors notification—EPA will finally propose to approve the petition. That’s right, I said they will “**propose**” to approve it, meaning we’re still at least a month away from a final approval. And because we’re just 60 days away from the start of the summer gasoline season for fuel terminals, the administration is now saying the marketplace simply won’t have time to implement these changes before this summer. So, we are told EPA will propose to kick the can on implementation of the Governors’ petition until the summer of 2024, which leaves us in a bind for this summer!

You might be wondering why the White House drug its feet on this? Well, once again it boils down to oil industry scare tactics. A handful of pipeline companies and refiners spooked the administration into thinking the Governors' petition would somehow cause a significant increase in gas prices, which is complete rubbish.

Everyone knows that allowing year-round E15 would result in LOWER prices at the pump, and any additional costs to make and distribute lower volatility gasoline would be marginal and more than offset by ethanol's savings.

But unless something changes in the weeks ahead, E15 could be blocked from entering the marketplace again this summer—even though these governors followed the law and did everything they needed to do to protect consumers.

The alternative, of course, is for Congress to pass legislation that removes this barrier once and for all. In 2022, we came closer than ever before to a legislative resolution. Last June, the House passed a bill that removed the summer E15 barrier; it was the first time ever that such legislation passed out of either chamber of Congress.

Meanwhile, Senators Fischer and Klobuchar introduced a bill in the Senate that would remove the summer barrier. And as a result of negotiations between RFA and the American Petroleum Institute, the bill even had the support of major oil companies.

However, just like before, a group of merchant refiners created roadblocks...and the legislation stalled as the clock ran out on the 117<sup>th</sup> Congress.

So, we'll have to start over in the new Congress. We expect legislation to be reintroduced very soon in both chambers—and we'll need your help to get it across the goal line before summer.

The bottom line is this: If Congress or the Administration fail to act before summer, consumers will lose access to the lowest-cost fuel at the pump—right at the time when they need it most.

In fact, all signs are pointing to another fuel supply crunch and high gas prices this summer—the same conditions that led the administration to issue emergency waivers for E15 last year.

Total crude oil and petroleum product inventories are at their lowest point since 2004. Gasoline stocks are well below year-ago levels, especially in the Midwest and Rocky Mountain region. And in many locations, today's retail gas prices are about where they were at this time last year.

Current conditions are expected to worsen as the summer approaches. Average gas prices are expected to surpass \$4 a gallon by May, with some areas paying over \$5 a gallon. Unless EPA or Congress act quickly, President Biden will likely need to take emergency action again to extend fuel supplies and keep lower-cost E15 flowing this summer.

So, while the outlook for E15 this summer remains uncertain, we are going to keep pushing. And we won't stop until consumers have the ability to choose E15 ALL YEAR LONG.

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In 2022, our persistent advocacy efforts also helped secure a prominent role for low-carbon renewable fuels in the Inflation Reduction Act.

In my view, the IRA marks the most significant federal commitment to low-carbon biofuels since the RFS was expanded in 2007. This legislation truly is a game-changer!

One of the most exciting provisions of the IRA is the Clean Fuel Production Credit, which is a technology-neutral tax incentive for fuels that reduce carbon emissions by at least 50 percent compared to gasoline. The value of the incentive increases as the carbon intensity of the fuel decreases. And because of our efforts, the law requires the use of the Argonne National Laboratory GREET model for measuring a fuel's carbon intensity and determining tax credit values.

In addition, the bill creates the first-ever tax credit for sustainable aviation fuels; appropriates \$500 million for higher biofuel blends infrastructure; and extends and improves the CCUS tax credit. Overall, the IRA's provisions will create long-term investment certainty and stimulate extraordinary technology innovation.

But as with any new legislation, the devil is in the details. And the success of these provisions will depend on how they are interpreted and implemented by the federal agencies. That's why RFA continues to actively engage with the Treasury Department and other agencies to ensure the IRA is implemented in a way that truly stimulates the growth and investment intended by Congress.

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As you can see, the ethanol industry is benefiting from strong tailwinds right now. We have momentum on our side after some major victories in 2022. Now, we need to keep it going.

As we continue positioning ethanol for long-term success and growth, we need to be persistent in telling our story to policymakers, regulators, the media, industry stakeholders, and the general public.

We can't let others define us. WE define our future—not oil refiners in Delaware; not environmental extremists; not ivory tower academics; not loud-mouthed cable TV talk show hosts.

Every chance we get, we need to share the data and the science demonstrating that ethanol is the lowest-cost low-carbon fuel available anywhere on the planet.

We need to remind decision-makers that today's corn ethanol already reduces carbon emissions by 50 percent compared to gasoline. And with the adoption of CCUS, integration of renewable natural gas and electricity, and low-carbon farming practices, corn ethanol is well on its way to net zero emissions.

In fact, your commitment to achieving carbon neutrality by 2050 is the reason ethanol is experiencing a renaissance moment. From green ethylene to sustainable aviation fuels to heavy-duty engine applications, innovative companies are looking at ethanol as the fundamental building block for a low-carbon future.

And policymakers in Washington are looking at ethanol as the key to success under a potential nationwide Clean Fuel Standard, or a high-octane, low-carbon fuel standard like the Next Generation Fuels Act.

There seems to be a growing recognition that ethanol is a decarbonization solution that is available here and now at a low cost. And more people are catching on to the fact that an "electrify everything" strategy simply isn't practical or realistic in the decades ahead.

Hundreds of millions of internal combustion engines will use hundreds of billions of gallons of liquid fuels for many years to come. If our nation truly wants to reduce carbon emissions from transportation, the answer in the near-term is to use more ethanol.

President Biden himself has recognized that "you simply can't get to net zero by 2050 without biofuels."

And the Rhodium Group, a well-known think tank, recently noted that "electric vehicles alone will not get the U.S. to net-zero by 2050," and underscored that a "portfolio of clean fuels is needed...."

Even Thomas Edison, who patented his own electric automobile in 1912, knew that plant-based fuels could and should play an important role in our nation's transportation sector alongside electricity.

After extensively testing ethanol as a motor fuel in 1905, Edison's laboratory found "very satisfactory results" and noted "superior efficiency of operation when alcohol is used." And around 1917, he joined his friend Henry Ford on a road trip to publicize the benefits of alcohol fuels.

Imagine that. Ethanol and electricity coming together to power America's automobiles.

...Actually, it's not all that hard to imagine because it's happening today.

Just outside of this ballroom sits RFA's new Ford Escape plug-in hybrid flex-fuel vehicle. With a full tank of E85 and a full charge of the battery, it can travel about 420 miles, with most of that coming from ethanol. And, depending on the carbon intensity of the ethanol used, this vehicle can reduce emissions by about 80 percent TODAY compared to a Ford Escape running on gasoline. And consider this: if the E85 used in this vehicle is made from ethanol and renewable naphtha, the renewable content of that gallon is more than 98 percent.

One day soon this could be the first real Zero Emissions Vehicle to run on 100 percent renewable liquid fuels!

Unfortunately, you can't go to your local dealership and buy a plug-in FFV today. Our Escape is a demonstration vehicle.

But we hope to change that. It is our hope that one day soon, after proving the benefits of this technology, consumers will be able to choose a true zero emissions vehicle that meets their everyday needs.

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Continuing to position ethanol as a here-and-now decarbonization solution will be a top priority for RFA in 2023. But it won't be our only one.

- As the RFS enters a new growth phase, we'll need to protect and defend the program against legislative tinkering and continued attacks from opponents who prefer the status quo.
- And come hell or high water, we WILL find a way to secure year-round E15—this summer and every summer. As war in Eastern Europe continues to wreak havoc on global energy markets, allowing summertime

sales of E15 is a simple step policymakers can take to provide relief at the pump.

- Restoring fair trade in major markets will also be a high priority. We'll work with our government and industry partners to remind the world that when markets are built on a level playing field, consumers win! We'll be especially focused on Brazil, where a punitive tariff was recently reinstated on U.S. ethanol—even though their new President is on record 15 years ago saying “duties on ethanol make no sense” and countries should have the opportunity to “buy and sell freely.”
- We will push for proper implementation of the Inflation Reduction Act. Sustainable aviation fuel, CCUS, and other new technologies offer enormous potential for our industry---but that potential can only be realized if the IRA is implemented the right way.
- And as Congress continues to examine options for future energy and climate policies, we will ensure ethanol has a seat at the table. We'll advocate for smart policies like a technology-neutral Clean Fuel Standard and the Next Generation Fuels Act.

We certainly have our work cut out for us! And we're going to need your help. If we are going to accomplish these goals, we'll need your passion and your persistence. Let's keep this momentum going!

It is indeed an exhilarating time to be in the ethanol industry!

We are **Ready** for growth because of your tireless advocacy and innovation.

And we are **Set up for Success** because policymakers are recognizing the promise of low-carbon renewable fuels.

And for the first time in many years, we have the wind at our back. So, now it's time to soar! Let's **Go!**

Thank You!