



Iowa Renewable Fuels Association

**Prepared Remarks
by
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“Delivering on the Promise”

Thank you, Bill. As Bill mentioned, I returned to Iowa in 2005 to become Executive Director of the Iowa Renewable Fuels Association (IRFA). Throughout that time it was actually a lot of fun to work on behalf of Iowa’s biodiesel and ethanol producers as the industry grew.

Then the commodity bubble burst in late 2008 and took our entire economy with it. No one in our industry would call 2009 fun. In fact, when I stood up here one year ago I said that the state of the Iowa renewable fuels industry was “challenging” – a bit of an understatement to be honest.

Quite a few people felt the renewable fuels industry was through. Many media elite and East Coast analysts said that renewable fuels would not recover.

Yet, I stood here and urged you to choose hope over fear. I predicted that in the midst of all the turmoil, the renewable fuels industry would persevere and produce a record amount of home-grown fuel.

Let me tell you, it was a lot easier for me to stand up here and make that prediction than it was for the industry to deliver on the promise. But the members of the Iowa Renewable Fuels Association led the way and 2009 saw a record amount of renewable fuels produced in Iowa and nationally.

It was not easy. Iowa had plants shut down. A few plants went into bankruptcy. But the industry kept going. And I’m proud to report that by the end of 2009 every one of Iowa’s 39 ethanol plants was back on line and producing at or above capacity.

Make no mistake, today the state of the Iowa renewable fuels industry is resilient and we are ready to make 2010 our best year yet.

At the same time, we should not ignore the challenges before us. Quite frankly, 2009 ended with the two segments of our renewable fuels industry headed in opposite directions. While ethanol has turned the corner, biodiesel took a turn for the worse.

When Congress inexplicably let the biodiesel blenders tax credit expire at the end of the year, it was a body blow for an industry already hurting from Washington's inability to implement the biodiesel usage requirements of the Renewable Fuels Standard (RFS) as promised for the beginning of 2009.

As DC continues to talk about a jobs bill, their inaction has cost dozens of Iowans their jobs. Plants have shut down and local investments are at risk. If Congress does not act quickly, some biodiesel producers may be forced into bankruptcy.

That is the bad news. But there is good news. The bleak future I just painted does not have to become reality. It should not become reality.

Congress must act quickly to restore the federal blenders tax credit. And the EPA should move swiftly to implement the federal RFS2 biodiesel usage requirement. If we can couple those two federal actions with a B5 fuel quality standard here in Iowa, it will go a long way toward restarting Iowa's 15 biodiesel plants.

And restarting Iowa's 15 biodiesel plants can boost Iowa's economy. According to a study IRFA released today, increasing Iowa's biodiesel production from only 85 million gallons in 2009 to its potential capacity of over 320 million gallons would:

- Boost Iowa's GDP by \$1.4 billion;
- Add \$304 million to Iowa household earnings;
- Support nearly 8,600 new jobs in all sectors of the Iowa economy, and
- Grow state tax revenue by nearly \$66 million.

All just by getting the Iowa biodiesel industry going again. If that's the future you want – more green collar jobs with white collar pay and benefits – then let your elected officials hear your voice. Stop by the IRFA booth in the trade show and fill out a postcard or two supporting renewable fuels.

It is also important to remember that the economic impact of renewable fuels is certainly not just in Iowa's future. We can feel it today. The 85 million gallons of biodiesel and 3.1 billion gallons of ethanol produced in Iowa last year had a deep and profound impact on Iowa's economy.

While Iowa's economy was not immune to the worst economic recession in decades, we are doing better than many. One of the main reasons Iowa's economy has fared better is because of the strength of our agricultural sector.

According to economist John Urbanchuk's study that IRFA released today, renewable fuels played a large role in supporting Iowa's ag economy. Urbanchuk found that renewable fuels production:

- Accounts for nearly \$11.5 billion of Iowa GDP (or about 8 percent);

- Generates \$2.3 billion of income for Iowa households;
- Supports more than 70,000 jobs through the entire Iowa economy (or 4.6% of private, non-farm employment); and,
- Boosts state tax revenue by \$532 million.

That is an awesome success story. A success hardly imaginable when the term “value added agriculture” became the buzz word of 1980s rural Iowa.

At the same time, we must not rest on our laurels. Iowa and the nation must move quickly to realize the full promise renewable fuels represent.

For ethanol, that means approving E15 – blends of 15% ethanol – for all vehicles. The artificial E10 cap is holding back ethanol use, which costs consumers at the pump and reduces our energy security.

We are excited that the EPA has signaled the likely approval of E15 for later this year. And we urge the EPA to continue its reliance on sound science by approving E15 for all vehicles, not just those made in 2001 and newer. Testing has shown even the older vehicles operate just fine on E15. Further, we see no scientific evidence that outlawing older cars from using E15 will improve the environment. But it will complicate fuel distribution and reduce the positive economic and energy security benefits of E15.

The success of E15 does not rest on federal policy alone. If the EPA approves E15 for all or part of the vehicle fleet, it becomes an option for consumers only if retailers make the fuel available.

Today, most Iowa fuel stations have two gasoline storage tanks – one holding E0, the non-ethanol fuel, and one holding E10.

Assuming for a moment that E15 is approved, then you have three legal fuels vying for storage in only two tanks. What will Iowa retailers do? Will many of them make E15 available to consumers?

Well, according to the Petroleum Marketers and Convenience Stores of Iowa: “The ultimate decision on whether E-15 is made available would be left to refiners, who are likely to have major concerns with a two tier ethanol blend distribution system.”

They go on to add that: “Such a result would create a two tier fuel system for older and newer cars that cannot be easily or economically supported by current retail storage and dispensing infrastructure.”

Now, I’m generally an optimist, but that doesn’t sound too encouraging, does it?

There is, however, a simple and straightforward solution for Iowa. Back in the 1970s the state of California decided that leaded gasoline posed too great a risk to our children’s health and the environment. They began a movement which culminated in the removal of leaded gasoline from on-road vehicles throughout the United States.

Looking at the fueling logistics, why shouldn't Iowa say that E0 poses too high a cost to our economy and our energy independence? Shouldn't Iowa lead the way to make E10 the standard fuel with E15 available for those who choose it?

IRFA thinks so and urges the Iowa legislature to enact an E10 Fuel Quality Standard. Out-of-state and foreign refiners should not dictate to Iowans whether or not they have the E15 option. Iowa is the leader in renewable fuels production and we should not be afraid to lead in renewable fuels policy.

Speaking of leading in renewable fuels production, that would not be possible if Iowa's farmers did not lead in corn and soybean production. According to the USDA January crop report Iowa's farmers did just that – again.

Despite one of the most difficult growing seasons – from start to finish – in most memories, farmers grew more corn and soybeans than ever before – and on fewer acres.

This fact has caused me to rethink my position on a topic we discussed at length during last year's Summit: indirect land use change. I'm about to say something that may surprise many of you.

I believe in indirect land use change. Let me repeat that. I believe in indirect land use change.

Now, before I get fired please allow me to clarify. I do not believe that the production of ethanol and biodiesel in the US leads to the destruction of the Amazon rain forest. Quite the opposite.

After looking at this year's corn and soybean production records, I have come to the conclusion that the simply astounding productivity gains of the American farmer is changing the way we use land in the United States. After all, 2009's record corn crop was produced on 7 million fewer acres than the year before. Those acres went somewhere!

That brings me to the final topic I'd like to discuss today.

A massive gulf separates the view of agriculture's future between many policy makers sipping a Starbucks in Washington, DC and farmers having a cup of coffee in Washington, Iowa.

In DC, any talk of renewable fuels centers around the farcical food vs. fuel debate or international indirect land use change. While in Iowa, farmers fret that future yield gains will return commodity prices to subsistence levels if corn and soybeans remain unnecessarily capped for the production of renewable fuels.

Think about it for a minute. Renewable fuels production has never used a kernel of "baseline" commodity production. American farmers produce more commodities for food, feed, exports and other non-fuel uses than they did in 1980 – and on fewer acres.

Yet while expanding these non-fuel markets, the yield gains provided enough "new" corn to also produce 10.6 billion gallons of ethanol in 2009.

The problem is that today's federal renewable fuel standard caps corn-ethanol at 15 billion gallons a year. This year. The next decade. Even thirty years from now. Fifteen billion gallons of corn-ethanol and no more.

The RFS calls for the growth in renewable fuels production above 15 billion gallons to be from "advanced biofuels." What is an advanced biofuel, you ask? Well, it's any biofuel that achieves a 50% reduction in greenhouse gas (GHG) emissions compared to a baseline 2005 petroleum fuel – unless that fuel happens to be corn ethanol and then it doesn't qualify.

That's right. No matter how much corn ethanol may reduce GHG emissions in the future, it is statutorily forbidden from ever participating in the advanced biofuels part of the federal RFS. That is politics, not science.

I believe better science will clear up the current indirect land use debate. Plant technology will continue to improve production efficiencies. Seed technology and better agronomic practices will continue to boost commodity yields at an increasing rate. In short, it won't be long until corn ethanol achieves the scientific benchmarks of an advanced biofuel. But unless we do something, the political barrier will remain.

It's easy to see why farmers are concerned about commodity prices being driven down. I ask you all to put this issue on your radar screen and to join IRFA in working for a science-based solution to a political problem that, left unchecked, will undoubtedly depress the farm economy in the future and prevent renewable fuels from delivering on their full promise.

Yes, there are both immediate and long-term challenges. Welcome to the renewable fuels industry. That's been true from the start over 35 years ago.

Yet the promise of the renewable fuels industry has never been greater. Let's work together to deliver on that promise. The renewable fuels industry will continue to be resilient, but we can't do it alone. We need your help.

The reward is worth the effort. After all, what price can you put on energy security? Ask the veteran returning from Iraq.

What is the value of that green collar job that allows a person, with an advanced college degree, to raise their family in small town Iowa? Stop by any ethanol or biodiesel plant and you'll find someone with the answer.

How satisfying is it to farm based on a real market after a lifetime of prices dictated by a Farm Bill? Just look up that farmer in Washington, Iowa and you'll see it in his face.

And how refreshing is the clean air that renewable fuels help to protect? Ask the kid with asthma who breathes a little easier because his school district powers their buses with B20.

Yes, renewable fuels are delivering on their promise. Thank you for being here today and promise yourself to keep up the good fight.

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