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We live in remarkable times

We just finished a year that could be described as crazy and remarkable – and I’m just talking about the renewable fuels markets. Consider in 2016 we had record US ethanol production, record US ethanol use and record ethanol exports from the US. We also witnessed record US biodiesel production and use. We ended 2016 with a strong fourth quarter. As we begin 2017, it could be said we’ve gone from crazy and remarkable to crazy and uncharted. Margins have tightened. There is unrest in many of our markets, in politics, and in policy. I think we all need to tighten our seatbelt for the next several months.

On the Iowa front, 2016 was a banner year. Iowa’s 43 ethanol plants produced a record 4.1 billion gallons – processing 1.45 billion bushels of Iowa corn into fuel and feed. That keeps Iowa number one in ethanol production, accounting for roughly 27 percent of US production. Iowa also led in cellulosic ethanol production and we expect that to grow in 2017.

In addition, Iowa’s biodiesel industry led the country with 9 plants producing a record 297 million gallons of biodiesel. This accounts for roughly 16% of US production. Iowa biodiesel producers also benefit from access to a diverse set of feedstocks. Soybean oil leads with 66% of the market, but animal fats, distillers corn oil, canola oil and used cooking oil all played significant roles. In other words, biodiesel production in Iowa provided a boost to farmers, ranchers, ethanol plants and even restaurants.

On the state of Iowa’s renewable fuels industry

As I stand before you today, I can say that the state of Iowa’s renewable fuels industry is uncertain but unrelenting. We are ready to go. We are ready to expand and bring cheaper, cleaner, home-grown fuels to US and world consumers. I am confident that’s just what Iowa’s ethanol and biodiesel producers will do this year because that is their past track record.

When fighting to take market share from the world’s most powerful and profitable industry, it’d be easy to give up. But the renewable fuels industry has never relented. Periods of cheap oil in the ‘80s, ‘90s, and 2000s made it tough, but the industry survived. Naysayers said we were just a niche Midwest fuel and couldn’t handle replacing MTBE in the California and New York markets. But today ethanol is blended into roughly 97 percent of all US gasoline. In 2013 the Renewable Fuel Standard (RFS) volume levels were unfairly reduced, but renewable fuel use

grew anyway. At various times crucial export markets have been blocked in Europe and Asia, but we simply worked to find new markets. It hasn't been easy, but through it all, Iowa's renewable fuels producers have been unrelenting in their quest to add value to Iowa commodities, economic opportunity for Iowa's small towns, and better fuel choices for American consumers.

RFS Policy: Uncertainty or unrelenting progress

The Iowa renewable fuels family sees unrelenting progress for 2017 because one year ago at this very conference, then candidate Donald Trump stood exactly where I'm standing and pledged to protect and defend the RFS. Trump believes in promoting American energy and American jobs. In his travels through Iowa a year ago, he saw first-hand that in rural America that means renewable fuels. Given his education here, there is little doubt that President Trump is sincere in his support of renewable fuels and the RFS.

Yet, we are uncertain because not one of his Cabinet-level appointees has a pro-RFS track record and several have long opposed the RFS and renewable fuels. Will at least a few of the leadership positions at the EPA be filled by people who share the President's support for the RFS?

Higher blend markets

The Iowa renewable fuels family sees unrelenting progress for 2017 because today Iowa boasts 99 registered E15 pumps and well over 200 E85 pumps. More importantly, when given the opportunity, Iowans pull the blue or yellow handle for higher ethanol blends. In addition, over half of Iowa's diesel is blended with biodiesel, and the average blend is a remarkable 11 percent biodiesel.

Yet, we are uncertain because Washington, DC continues to refuse to remove artificial roadblocks to higher ethanol blends. Due to unjustifiable regulations, today our retailers must restrict selling E15 to only flexible fuel vehicles during the summer, instead of the much larger market of all 2001 and newer vehicles. And instead of removing this, quite frankly, stupid barrier, a recent rules proposal from the EPA would instead shut off E15 sales completely during the summer in conventional gasoline markets like Iowa. Will the Trump Administration put common sense and fair play into these rules?

Advanced biofuels

The Iowa renewable fuels family sees unrelenting progress for 2017 because Iowa and US biodiesel production and demand hit record levels in 2016, and we have significant unutilized capacity to allow for future growth. Also, Iowa leads in cellulosic ethanol production with an increasing number of plants adopting corn fiber conversion technology.

Yet, we are uncertain because Congress once again allowed the biodiesel and cellulosic tax credits to expire while Big Oil's tax preferences remain in permanent law. Will Congress reinstate these vital tax credits? And will Congress reform the biodiesel tax credit to stop incenting the importation of massive quantities of Argentinian biodiesel?

High Octane Fuels and Exports

The Iowa renewable fuels family sees unrelenting growth into the future because some of the brightest minds in Detroit see mid-level ethanol blends as the answer to fuel efficiency challenges. High-octane fuels, like E30, pave the way for high-compression engines that are both highly efficient and quite powerful.

But we are uncertain because export markets are unstable. China has perverted the international trading system with unjustifiable duties and tariffs to block US ethanol and distillers grains. Also, Mexico is a key distillers grains market and emerging ethanol market. Can the US avoid a trade war with Mexico?

Unrelenting optimism will prevail

In the end, I am an optimist. Big Oil has the power and resources to fight one hell of a delaying action, but renewable fuels will prevail. Renewable fuels will continue their unrelenting push for market access and consumer choice. All the Big Oil profits in the world cannot change the fact that ethanol is cheaper, cleaner, and higher octane. Just as we saw with E10, as we're seeing with E15, and as I am confident we will see with E30 in the near future, renewable fuels will continue to grow and take their rightful place in America's fuel supply. And we must be unrelenting because America's farmers are counting on us to create demand for their commodities and American consumers are counting on us to provide cheaper, cleaner fuels. As I look around this room, I think America's farmers and consumers have made the right decision to place their trust in all of you. Thank you.