

Iowa Renewable



Fuels Association

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10th Anniversary of Iowa Renewable Fuels Summit

As this is the tenth Iowa Renewable Fuels Summit, I thought it would be appropriate to take a look back ten years and compare it with today. At the first Summit we discussed Iowa's 26 ethanol plants and their 1.7 billion gallons of production capacity. In 2016, Iowa is home to 43 ethanol plants that produce over 4 billion gallons annually. A decade ago, Iowa's 8 biodiesel plants produced 75 million gallons, but now Iowa's 12 biodiesel plants just produced 242 million gallons.

Back in 2007, the first renewable fuel standard (RFS) was being implemented and the second RFS was being debated. The détente between renewables and petroleum that was the basis for the 2005 RFS was over, but the full scale battle had not yet begun. Today, we're entering the ninth year of a multi-billion dollar petroleum assault on the RFS and arguing over the artificial blend wall.

In 2007, the farm economy was on the rise for the second straight year – the first time in 25 years. Today, we are entering our second year of lower farm income and land values. The price of corn, which had been above production costs for eight years, is back below the average production costs for the second consecutive year. This has hurt not just farm families, but Iowa's general revenues, fuel consumers, ag manufacturers, and renewable fuels producers.

On the state of Iowa's renewable fuels industry

Today, Iowa's renewable fuels industry – the entire renewable fuels industry quite frankly – is at a fork in the road. We must decide whether to retreat, or whether to fight for victory. The industry's decision will shape the next decade.

In 2026, will corn ethanol be growing along with corn supplies or retreating to 2007 levels? Will cellulosic ethanol production be measured in the billions of gallons or retreat to other countries? Will the artificial blend wall be a thing of the past, or does Big Oil's last line of defense hold? Will biodiesel use exceed 10 billion gallons or retreat to niche markets? Will farmers be making decisions based on grain prices driven by a thriving market, or will grain prices retreat below production costs leading to either massive Farm Bill costs or massive consolidation?

I know the renewable fuels industry will not waiver or retreat or surrender. It will continue to battle for market access and to tear down the bogus blend wall. I know this because the renewable fuels industry has fought the odds for 35 years – and won. I know this because it simply is not in a farmer’s DNA to quit.

Fighting for Victory Through the RFS

Despite what some candidates or media say and write, the RFS does not sunset in 2022. Only an act of Congress can repeal the RFS. Any Congressional change to the RFS must go through the United States Senate. And Chuck Grassley and Joni Ernst will not retreat. With them fighting to defend the RFS, I like our chances for victory.

Some have suggested the RFS won’t help much in Iowa after a couple of years anyway. I disagree. It is dangerous to assume the status quo will continue for corn ethanol in the absence of the RFS. The oil industry predicts (EPRINC study, 2012) that ethanol use would fall back to around 6 billion gallons. While that prediction is likely as unreliable as all the other oil industry rhetoric on renewable fuels, some respected ethanol veterans could see use dropping to below 10 billion gallons. Others, who I happen to agree with, don’t see ethanol demand dropping that much, but the entire relationship between buyer and seller changes. Oil would still have its distribution monopoly, century of subsidies, and federal petroleum mandate. With the marketplace so tilted in oil’s favor, there will be no chance for fair negotiations. Oil will simply say: “Here is the price we are willing to pay -- take it or leave it.”

But fighting to protect the RFS is a battle that can be won. Despite 9 years of oil industry talk, there is no consensus in Congress to scrap the RFS and there is no consensus to reform the RFS. Such talk is silly. It’s like talking about Iowa’s First in the Nation Caucuses. There may be 49 other states that don’t like Iowa going first, but there aren’t two who agree on what state should replace Iowa! Keeping the RFS intact is key to near term biodiesel growth, the ability for cellulosic ethanol to have a chance to develop, and to pulling corn ethanol ABOVE 15 billion gallons per year.

Breaking the Artificial Blend Wall

Think back to when the RFS was first passed in 2005. Did ethanol use systematically increase along the schedule prescribed by Congress? No. Once it was clear more ethanol would be used, the distribution infrastructure went into place and that market access, combined with ethanol’s octane value, swept across the nation in less than two years. When the RFS finally breaches the artificial blend wall – even if because of a few hundred million gallons of cellulosic ethanol – and major markets add the distribution infrastructure necessary for E15, ethanol use won’t increase by just that prescribed amount. Once the hole is in the dam, the octane value of corn ethanol will burst through – pulled by the RFS just as certainly as cellulosic ethanol and biodiesel.

America's Renewable Future

The rise of oil-funded Super PACs has injected a bit more partisanship into a debate that had been largely geographical in the past. Super PACs have also taken on enormous importance in supporting presidential campaigns. That is one of the many reasons why the ag and renewable fuels industries united to form America's Renewable Future (ARF) just over a year ago. ARF has done an outstanding job educating candidates and building a grassroots army to caucus for the RFS.

And if anyone wonders if they can trust ARF or who stands behind the ARF logo, they don't have to look far. A recent letter stated "When it comes to ensuring Iowa voters know exactly where candidates stand on the RFS there is one definitive voice to turn to: America's Renewable Future." Signing that letter was a united front of ag and renewable fuels, including: IRFA, Iowa Corn, Iowa Soybeans, Iowa Biodiesel Board, Iowa Biotechnology Association, Iowa-Nebraska Equipment Dealers, American Coalition for Ethanol, Growth Energy and the Renewable Fuels Association.

Twelve of the 14 candidates for president are rated as good by ARF. It is the stated position of the IRFA Board to encourage all Iowans to caucus on February 1st for a pro-RFS candidate.

Victory or Retreat

While you might be weary after standing up to 9 years of relentless oil industry attacks, this is no time to retreat. Oil said E10 wouldn't work. We fought and won. Oil said ethanol could never replace MTBE in CA and NY. We fought and won. Oil said ethanol could never survive without a tax credit. Yet, we gave up ours and oil clings to theirs with both hands. Oil said you'll never keep the RFS. But for nine years we have fought and we have won. Now oil says you can never break our blend wall. Together we will fight for the RFS, we will break down their wall, and we will achieve a victory for consumers, energy security, the environment and rural America.