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**Prepared Remarks for**  
**6<sup>th</sup> Annual Iowa Renewable Fuels Summit**  
**January 24, 2012**

It is a pleasure to stand before you today. In my job, it's always best to put a happy face on your industry's situation. Last year I was up here smiling, but after the difficult year in 2010, my smile was a bit forced. This year the smile is genuine to the core. 2011 was a good year for both the ethanol and biodiesel industries. We saw record production and yes, even some profits.

Now, I'm not boasting or bragging. I'm not being insensitive to our friends and neighbors who are looking for a job. But as a farm boy who grew up during the 1980s farm crisis, I want to celebrate the success of renewable fuels and the profoundly positive impact that success has had on Iowa's economy and rural communities.

No one is blind to the fact that Iowa's economy – and the nation's economy – still has a ways to go before we're satisfied. But neither should anyone question that Iowa has done better than many other states during this long recession. The reason for that is our strong agricultural economy with renewable fuels playing a leading role.

In 2011, Iowa's 41 ethanol plants produced 3.7 billion gallons of ethanol – far more than any other state. In fact, if Iowa were a country, it would be the third largest ethanol producer behind only the rest of the US and Brazil.

Those 3.7 billion gallons of ethanol ground up about 1.35 billion bushels of Iowa corn, or roughly the equivalent of 57 percent of Iowa's 2.36 billion bushel 2011 harvest. More Iowa corn goes to Iowa ethanol plants than any other destination.

Iowa also has 13 biodiesel plants capable of producing nearly 320 million gallons annually. The lapse of the federal tax credit during 2010 had shut down most of the plants. With federal policy back in place for 2011, many plants returned to production throughout the year.

Ten Iowa biodiesel plants operated during 2011 producing a record 169 million gallons. More importantly, those plants were operating at an annualized rate of 264 million gallons in December.

Now, producing 3.7 billion gallons of ethanol and 264 million gallons of biodiesel requires much in the way of inputs and services. According to a new economic impact study released by IRFA today, it takes just over \$12 billion in inputs to be exact.

As a result, renewable fuels production at the rates realized at the end of 2011 accounts for nearly \$6 billion of Iowa's GDP, or 4 percent of Iowa's economy.

It puts \$3.7 billion of income in the pockets of Iowa families.

And it supports over 82,000 jobs throughout Iowa's economy.

Not too bad for an industry that opponents seek to either marginalize or destroy.

Tonight the President will report on the state of the union. But this morning I can assure you that the Iowa renewable fuels industry is revived and ready. Ready for continued success and ready for the challenges that lay ahead.

There are challenges ahead. I know it's hard to believe, but not everyone in America enjoys the renewable fuels success story. Some actually liked the days of \$1.80 corn and 99.9 percent dominance of oil in our fuel supply.

Some large grocery manufacturers and national livestock groups have sought to demonize ethanol as the cause for food price inflation. Now, higher corn prices do have an impact, but it's a miniscule impact on consumers compared to the costs imposed by higher energy prices. According to the updated food dollar chart from the USDA, today only 11.6 cents of each dollar spent on food goes to a farmer. And less than 3 cents of that goes to a corn farmer.

As our Board Member Denny Mauser is fond of saying, "What does the price of corn have to do with the price of bananas?"

Obviously, nothing. But the price of fuel does. Those bananas don't fly to your local grocery store on the wings of eagles.

Because the cost of fuel impacts a family budget in so many ways – from fueling your car to the price of bananas, it is important to consider the impact of ethanol use on the price of fuel. Last year the economists at Iowa State University looked at that question and found that ethanol use reduced the average gasoline price by 89 cents per gallon. Here in the Midwest the savings were larger – consumers saved an average of \$1.37 per gallon.

It's not that surprising if you think about it. Ethanol now accounts for nearly 10 percent of all US gasoline use. Shrink the fuel supply by 10 percent and there is going to be a large price impact. There is simply no doubt that the typical American family saves hundreds of dollars a year thanks to ethanol when you account for both food and energy costs.

So let's get to the heart of the opposition from the big food and big livestock groups. It is their profits, not your wallet, which concerns them.

If you dig through enough USDA databases, you'll discover an interesting fact. From 1981 through 2005, the average price a farmer received for a bushel of corn was lower than the average cost of production in 22 out of 25 years. How was that possible?

Well, before ethanol production ramped up, the taxpayers funded a multi-billion dollar Farm Program to keep farmers in business.

In other words, if you grew corn – at the cost \$2.60 per bushel for example – and fed the corn to your own livestock, then you were at a huge disadvantage to the large feedlots in Texas that were paying only two bucks for that same bushel of corn. Farmers here couldn't compete. Not surprisingly, we saw an important segment of value-added agriculture leave Iowa and the Midwest and head to Texas, North Carolina, California, and so on.

But after 2005 – not coincidentally the year the federal renewable fuels standard was signed into law – the average farm gate price for a bushel of corn has been above the average cost of producing that same bushel. As a result, cattle numbers are going back up in Iowa. You'll hear more on this subject from this afternoon's panel.

So ethanol is not "bad" for livestock as some groups want you to believe. True, it has shifted the relative economics within the livestock industry. But those willing to adapt and to take advantage of distillers grains are expanding.

Speaking for a moment to my friends in Texas, I understand that you don't like the change. I understand you would prefer to pay \$1.80 for a bushel of corn. But with all due respect, my dad never liked selling you corn for less than it cost him to produce it. The taxpayers didn't like supporting a large Farm Bill just to boost your profits while keep the family farmer afloat. And that hardworking family farmer didn't like farming according to a federal program instead of a fair market price.

So, yes, ethanol has changed corn economics. But our country is the better for it. After 25 years of Texas livestock profits being subsidized by federal farm programs, they shouldn't expect to find sympathy here for their desire to roll back the clock to the days of \$2 corn. That is a recipe for subsistence farming.

The other line of attack comes from our good friends at Big Oil. While they have grudgingly accepted the reality of universal E10 use, they have no intention of giving up any more market share without a fight. Big Oil is using every legislative, judicial and regulatory trick in the book to stall the growth of ethanol. Just look at some of Big Oil's actions over the last year.

1. Big Oil sued the EPA to prevent the sale of E15.
2. Big Oil sued the EPA to rollback the 2011 federal biodiesel RFS requirement.
3. Big Oil hypocritically lobbied to preserve its federal tax breaks as "necessary" while urging Congress to end incentives for renewable fuels.
4. Big Oil lobbied Congress to use an appropriations gimmick to ban E15 from entering the marketplace.

5. Big Oil uses its near monopoly power over petroleum distribution to prevent the proper E15 summertime blendstock from being widely available.
6. Big Oil bars its branded retailers from selling higher ethanol blends like E15 or E85 under the canopy or listing the fuels on their pricing signs.
7. Big Oil urged the EPA to adopt an absurdly anti-E15 mandatory pump label while resisting pump labels noting the concentration of known human carcinogens in petroleum fuels.
8. Big Oil opposes country-of-origin labeling for gasoline, thereby denying consumers the ability to choose domestic options.

I could go on, but you get the picture. Big Oil does not want free market competition. They do not want a level playing field. Why would they?

Today, the oil industry enjoys billions in tax subsidies while the renewable fuels tax incentives have expired. Just a partial list of the billions of dollars of subsidies unique to the oil industry includes:

- Percentage depletion allowance
- Marginal oil well incentives
- Enhanced oil recovery credits
- Intangible Drilling Costs expensing
- Deduction for tertiary injectants
- Exception from passive loss limitations for oil and gas
- Oil and gas excess percentage over cost depletion

You'd need to be a high-priced accountant to figure all that out. So consider these statements:

DTN reported: "Looking at state and federal tax and other incentives available exclusively to the oil industry, DTN's tally comes to \$17.9 billion annually."

Western Capital Energy Development notes: "The immediate deduction of the intangible drilling costs is very significant, and by taking this up front deduction, the risk capital is effectively subsidized by the government by reducing the participant's federal, and possibly state income tax."

Investopedia.com adds: "No other investment category in America can compete with the smorgasbord of tax breaks that are available to the oil and gas industry."

Even the American Petroleum Institute's own website states: "Taxpayers have had the option to expense [intangible drilling costs] since the inception of the Tax Code."

That's back to 1913. Is 100 years enough? When will Big Oil give up its tax subsidies?

Big Oil has put those 100 years of subsidies to good use. In short, Big Oil used those subsidies to create a fuel distribution monopoly. Today a small number of companies control the refineries, they control what goes into the pipelines, and they often control what can be sold at the corner gasoline station.

The impact of Big Oil's monopoly is very real and very powerful. Consider this, even when E15 clears the mountain of federal regulations to become a legal fuel for non-FFVs, Big Oil will still be able to freeze E15 out of entire markets for much of the year.

In Iowa we have consumers that want to buy E15 and we have retailers that want to sell E15. Some of those retailers are "branded" by Big Oil and their contracts won't allow it. But Big Oil can even prevent E15 from being sold by the independent retail stations in the summer.

Without getting too far into the weeds, due to idiotic federal fuel regulations from September 16<sup>th</sup> through the end of May, we can blend 15 percent ethanol with the type of gasoline typically found in Iowa that is blended with standard 10 percent ethanol. So E15 could be sold during that time. But from June 1<sup>st</sup> through September 15<sup>th</sup> we will not be allowed to make E15 using the same gasoline as we do to blend E10.

Further, Big Oil has made it clear they have no intention of putting a gasoline in the pipelines to Iowa that is suitable for blending with 15 percent ethanol. We're still looking for ways to get around their distribution monopoly during the summer, but it is a tough nut to crack.

That is a clear example of how Big Oil's fuel distribution monopoly can prevent free market competition and thwart the will of those retailers and consumers who want to use E15.

But the biggest hurdle for renewable fuels and energy security is an issue you may not have thought about – the federal petroleum mandate. If nothing else, leave here today understanding that the federal government mandates the vast majority of fuel you buy be from petroleum.

Big Oil is fond of labeling things like the renewable fuels standard (RFS) as mandates, but they never like to look in the mirror. Federal law requires that any fuel you put into your vehicle be first approved by the EPA. Of course gasoline was the fuel grandfathered into this system. So what happens if you put a non-approved fuel in your car or truck? You are subject to a \$37,000 per day fine.

After 20 years of this federal law, what are the currently available approved fuels? Unless you are one of the 4 percent who drive flexible fuel vehicles, the legal fuels are E0 and E10. Take a moment to think of it from the petroleum perspective – the approved fuels are 100% petroleum or 90% petroleum. If you use something else, like E30, you can be fined each day roughly the amount an average Iowan takes home after taxes during an entire year. That is a 90% federal petroleum mandate.

So let's compare the playing field in 2012.

Billions in tax subsidies: Big Oil, yes. Renewable fuels, no.

Pipeline loan guarantees: Big Oil, yes. Renewable fuels, no.

Fuel distribution monopoly: Big Oil, yes. Renewable fuels, no.

Federal use mandates: Big Oil, 90% market share mandated. Renewable fuels, 10% requirement through the RFS.

Does that look like a level playing field? Of course not. Federal policy is tilted completely in the favor of Big Oil. So what should we do?

We should start by protecting the federal renewable fuels standard (RFS) from the assault by Big Oil, Big Food, and Big Livestock. In the face of the federal petroleum mandate and the massive Big Oil tax subsidies, the RFS is the best tool we have to help open doors for ethanol and biodiesel.

Whether through legislation or a waiver request, any unraveling of the RFS must pass through the President of the United States. For that reason, IRFA teamed up with the national Renewable Fuels Association over the last several months to create the Iowans Fueled with Pride coalition.

This Coalition of Iowa renewable fuels producers was committed to providing accurate and current information to the public, elected officials and candidates for office during the Iowa caucuses. Further, it worked to foster an open and comprehensive debate about the future of U.S. energy policy.

The caucus project was a great success. On the Iowans Fueled with Pride website you'll find many video clips of the candidates talking about energy policy and renewable fuels. A compilation of the candidates' views on important renewable fuels issues was mailed to roughly 10,000 Iowa households.

By the time Iowans went to their precinct caucuses on January 3<sup>rd</sup>, those with the "1<sup>st</sup> class" tickets out of Iowa – President Obama, Governor Romney, and Senator Santorum – had all publicly declared their support for the RFS. I'm not one to count chickens, but I am fairly sure that no matter who is elected President in November, they will be a supporter of the RFS.

While I'm excited by that, it is not just the President who is important. Congress has an important role to play as well. Congress should start by immediately reinstating the federal biodiesel blenders tax credit. It is true that the ethanol industry in 2011 became the first industry to ever voluntarily give up an existing tax credit. Given the maturity of the ethanol industry and the federal budget situation it was the right thing to do.

However, the biodiesel industry is in a much different spot as a much younger industry. Given the advantages oil receives, biodiesel needs the tax credit to continue building out its blending infrastructure. Extending the biodiesel tax credit will ensure there is time for the biodiesel industry to grow and mature.

Biodiesel is the only current alternative to petroleum in heavy duty engines and we'll learn later this morning how important it is to have alternatives – particularly for our military.

The last time the federal government allowed the biodiesel blenders tax credit to lapse, the industry stopped in its tracks. That year, 2010, Iowa produced only 48 million gallons of biodiesel – a 60% reduction from the previous year. While it is unlikely the current lapse will have the same level of impact, it is instructive to compare today's biodiesel economic impact with that of the lower production.

According to economist John Urbanchuk in the IRFA study released today, experiencing a 60% reduction in biodiesel production levels would cost Iowa dearly. Iowa GDP would be reduced by \$262 million. Iowa families would lose \$154 million in household income. And, worst of all, 3,230 Iowa jobs would disappear. We can avoid this potential blow to Iowa's economy while fostering energy security if Congress will quickly reinstate the federal biodiesel tax credit.

For ethanol the immediate challenge is to commercialize E15, 15 percent ethanol blends. One year ago this week, EPA announced its approval of E15 for use in passenger vehicles model year 2001 and newer. Yet, today we are stuck in neutral – still unable to sell E15 to those cars.

While EPA approval was the major hurdle to clear, several other regulatory requirements have to be satisfied before E15 can be sold to non-FFVs. Lawsuits and lobbying by Big Oil has slowed down this process. But I am hopeful that we may learn the last major hurdle – fuel registration – has been cleared in the near future.

Iowa is prepared to be a leader in the adoption of E15. IRFA has worked with Iowa retailers over the last few years to get our laws and regulations ready for E15. In fact, IRFA and the Petroleum Marketers and Convenience Stores of Iowa (PMCI) recently formed a partnership to work on these issues as well as to educate retailers and the public about E15.

Last year, Iowa legislators and Governor Branstad approved landmark legislation to promote E15. Senate File 531 created the nation's first retailer misfueling liability protection for E15 and the first E15 retailer tax credit. This year we hope to open up Iowa's renewable fuels infrastructure grant program to E15 pumps in addition to E85 and blender pumps.

Once the EPA gives the green light, I am confident Iowa will be the first state to sell E15 to non-FFVs. Over 20 Iowa retailers are already offering E15 to their FFV customers. They're ready to go. Many others are waiting, but are eager to offer E15.

Let's be honest. We will not change national ethanol demand by selling E15 in Iowa. But we will change national ethanol demand by proving to retailers and consumers around the country that E15 is a preferred fuel choice. By exporting an E15 retailing success story, Iowa can help unlock the seven billion gallons of additional demand that E15 represents.

The long term challenge for ethanol is to break through the federal petroleum mandate and petroleum distribution monopoly to secure true consumer fuel choice. I've said at past Summits that I'd love to wave my magic wand and turn every car into a flexible fuel vehicle and every gas pump into a blender pump. If consumers could drive up to a pump and choose the ethanol blend of their choice, renewable fuels would do just fine.

Promoting the production of FFVs and incenting the installation of blender pumps should be a top priority for any federal energy bill. The result would be more free market competition, not less. Some try to call this "picking winners and losers." Yet, the fact is, as Robert McFarlane wrote in the New York Times, "Doing nothing is equivalent to mandating a monopoly by a single fuel (whose price is set by a foreign cartel)." He goes on to say, "Competition is a bedrock of our American way of life. It's time to introduce it into our fuel market."

I could not agree more, for the stakes could not be higher. As part of our Caucus project we produced a brochure entitled "Ethanol and National Security" that quoted many leading experts. Let me hit a few of the highlights.

Anne Korin, with the Set America Free Coalition, states: "Every major national security problem we're facing has roots in oil. Where does the money come from for Iran to develop weapons of mass destruction? Where did the Pakistanis get the money to buy nuclear weapon technology from the Chinese? We are at war with an ideology and that ideology is radical Islam, and we cannot win the war against radical Islam as long as we are funding the other side of the war."

Former Secretary of State George Shultz notes: "Wealth transfers from oil have been used, and continue to be used, to fund terrorism and its ideological support. Estimates of the amount spent by the Saudis in the last 30 years spreading Wahhabi beliefs throughout the world vary from \$70 billion to \$100 billion."

And former CIA Director James Woolsey adds: "If you want to know who is paying for those madrasses in Pakistan or the West Bank to teach those little boys to hate, just next time you go to a filling station, before you get out to charge your gasoline and take out your credit card, turn your rearview mirror just a few inches so you're looking into your eyes. Now you know who's paying for those little boys to be taught to hate."

Strong words, but true words.

Big Oil would have you believe we're stuck and that we can't make a meaningful impact. That line of defeatism is Big Oil's most insidious and, sadly, effective weapon to attack alternatives, like renewable fuels. But don't believe it.

According to the Energy Information Administration, in 2005, when the first renewable fuels standard was enacted, America's net dependence on foreign oil peaked at just over 60 percent. However, by 2010 – just five years after the RFS was enacted – our net dependence on foreign oil had dropped to just under 50 percent. That's a 10 point reduction in only five years. The EIA cited increased renewable fuels use as one of the top three reasons for the decline.

Now, a 10 percent reduction is good, but there's a long way to go. Nevertheless, it is proof that meaningful improvements can be achieved in relatively short order when government policy even slightly allows competition with Big Oil.

We must leave here today and demand an end to Big Oil favoritism. We must demand a level playing field. We must demand consumer fuel choice and truly free competition.

After all, oil is at \$100 per barrel during a recession. Iran is threatening the Straits of Hormuz. We're funding our enemies while soldiers die guarding supply convoys of petroleum in Afghanistan.

America needs a wakeup call and you can do it. You all have friends, coworkers, Church groups, and coffee buddies. Whether over a cup of coffee or around the water cooler, start the conversation now and don't stop until the United States has a sensible energy policy. Too much is at stake to remain quiet.

Thank you.