

# MEMBER ANNUAL REPORT 2017

# Greetings,

Our primary objective at the American Coalition for Ethanol is to help you succeed. The best way we can accomplish that is by relentlessly pursuing ways to increase demand for ethanol. To that end, we are proud to present this annual member report, highlighting how we have worked shoulder-to-shoulder with you to ensure a brighter future for our industry.

Thanks to your membership support, ACE has an unmatched record of developing new markets for ethanol and mobilizing grassroots support for policy priorities. This report recaps key events from the past year. Please share this report with shareholders, coworkers and colleagues who have an interest in what happened in 2017 and our priorities for the coming year.

We are grateful for the opportunity to partner with advocates and innovators like you and we thank you for your membership support. The ACE staff looks forward to serving you again in 2018!

Best, Liz Bunkers



# **Making Our Voice Heard**

#### **Influencing the Trump Transition**

At the end of 2016, ACE issued a <u>call-to-action</u> urging ethanol supporters to contact their U.S. Senators about the nomination of (at the time) Oklahoma Attorney General Scott Pruitt to lead the EPA. Specifically, ACE asked its members to encourage Senators to get some assurances about ethanol industry priorities, including 1) publicly agreeing with President-elect Donald Trump's position in support of ethanol and the RFS, and 2) a firm timetable to provide RVP regulatory relief to E15 and flex fuels.

Early in 2017, ACE met with the transition teams and provided them with the industry's legislative and regulatory priorities for the year, including Reid vapor pressure (RVP) relief, protection of the Renewable Fuel Standard, and support for high-octane fuel.

In addition to a new EPA Administrator, there were a variety of others who joined President Trump's administration this year. ACE applauded the speedy confirmation of Terry Branstad as the U.S. Ambassador to China in May. Later that month, ACE encouraged its members to join the recently appointed Secretary of Agriculture Sonny Perdue in a town hall meeting held at the farm of Bill Couser of Couser Cattle Company near Nevada, Iowa. Given the sluggish state of the farm economy, ACE saw Secretary Perdue's town hall as a timely opportunity to encourage the Trump administration to take steps to help increase demand for renewable fuels like ethanol in the U.S. Toward the end of the year, ACE urged members to ask their

senators to get ethanol support from EPA nominee William Wehrum during the confirmation process. President Trump nominated Wehrum, a lawyer who has represented groups such as the American Petroleum Institute and American Fuel and Petrochemical Manufacturers, to serve in EPA as the Assistant Administrator for Air and Radiation.

#### **Supporting High-Octane Fuel**

Early this year, ACE announced its support of President
Trump's decision to direct EPA to reconsider the final
determination of emission standards for Model Year (MY)
2022-'25 light-duty vehicles. Brian Jennings, ACE CEO, testified
in support of E25-30 blends during EPA's September hearing
in Washington, D.C. After the hearing, public comments were
due to EPA in early October and ACE set forth
recommendations to accelerate the transition of transportation
fuels to low-cost, high-octane biofuels such as ethanol in its
comments. The agency is required to make a final
determination regarding the appropriateness of the MY
2022-'25 standards in April of 2018.

ACE leadership also participates in the Ag-Auto-Ethanol Alliance which has accomplished much to help pave the way for a high-octane future including the establishment of a new ASTM International standard for high-octane fuel, engine and vehicle testing data proving the advantages of ethanol blends such as E25-30, and changes in infrastructure to accommodate high ethanol blends in the future. The group is working closely with automakers to submit a petition for a high-octane certification fuel to EPA.

#### Working with the New EPA

Administrator Scott Pruitt brought a new way of thinking to the EPA and ACE has been engaged with the agency on a variety of issues of importance to the industry.

ACE submitted public comments in April thanking Pruitt for establishing a Regulatory Reform Task Force to consider repealing, replacing and modifying regulations to make them less burdensome. The agency invited ACE to participate in their Smart Sectors program, established to provide a platform for collaboration with regulated sectors to help the agency develop forward-thinking ways to improve environmental outcomes. Smart Sectors is partnering with trade associations from 13 industry sectors selected for the breadth of their environmental and economic impacts. ACE represents biofuels under the oil and gas sector as the only ethanol industry association representative invited to partner in the launch. Jonathon Lehman, ACE's legislative counsel in Washington, D.C., attended the launch event.

Through the Smart Sectors program, ACE has been able to address priorities — such as RVP relief, high-octane fuel and the RFS — directly to Administrator Pruitt and his top staff.

#### **RVP Relief**

ACE is pursuing ways to address the RVP limit. Once again in 2017, we lobbied for the enactment of legislation to extend the one-pound RVP waiver to E15 and higher blends. ACE was pleased the Senate Environment and Public Works Committee held a full committee hearing in June on bipartisan legislation S. 517 to clarify that the sale of E15 and higher blends be allowed from June 1 through Sept. 15. RVP relief has been the focus of ACE's messaging to Congress, including two advertisements that ran in the June 14 POLITICO and Roll Call newspapers featuring Good & Quick Companies store owner Charlie Good.

#### **Renewable Fuel Standard Issues**

ACE has worked alongside our many allies to defend and promote the RFS. Lehman testified during a public hearing on the proposed 2018 Renewable Volume Obligations (RVOs). Then, at the end of August, ACE submitted comments on the proposed blending volumes for 2018. Unfortunately, after comments were submitted, EPA issued a Notice of Data Availability proposing additional cuts to the 2018 RFS. ACE submitted new comments to the NODA requesting EPA forgo the unprecedented changes, and in the future, utilize programs like Smart Sectors to have a dialogue with ACE and others prior to formal proposals that are not balanced with views from renewable fuel producers.

Luckily, key champions for the biofuels industry in the Senate stepped up and vocalized concern with EPA's proposal. Jennings attributed a mid-October letter – from EPA Administrator Pruitt to several Midwestern Senators reiterating his commitment to support the spirit and text of the RFS - to the strong leadership and active intervention of these U.S. Senators. ACE particularly thanked Iowa Senators Grassley and Ernst for leading the way. Administrator Pruitt's letter outlined four key commitments including EPA formally rejecting petitions to move the RFS point of obligation downstream within 30 days; EPA releasing the 2018 RVOs by the Nov. 30 deadline and ensuring the volumes are at least as high as the proposed levels; EPA actively exploring legal authority to provide RVP relief for E15, including a definitive legal analysis; and while EPA is focused on ways to address RIN price volatility, the agency will not pursue regulations to allow RINs on exported renewable fuel. EPA kept its promise and formally rejected the RFS point of obligation just before Thanksgiving, and ACE released a statement calling it a win for consumers and retailers. EPA also kept its promise and released the 2018 volumes on Nov. 30 and kept levels at least as high as those proposed earlier this year. The agency set a total renewable fuel blending obligation of 19.29 billion gallons next year of which 4.29 billion gallons shall be advanced biofuel, including 288 million gallons of cellulosic biofuel, resulting in 15 billion gallons of conventional biofuel such as corn ethanol. ACE announced it was pleased the statutory 15-billion-gallon volume for conventional biofuel will be maintained in 2018 and that EPA is increasing the advanced biofuel volume to 4.29 billion gallons, but it is disappointing the 2018 cellulosic biofuel volume represents a decrease from the 2017 level of 311 million gallons. Prior to the RFS deadline, ACE ran a new, full-page advertisement in the Nov. 16 edition of the Capitol Hill newspaper Roll Call encouraging President Trump to tell the EPA to stand with rural America and keep the promise to protect the RFS.

#### **Major Court Victory**

ACE partnered with BIO, Growth Energy, National Corn Growers Association, National Sorghum Producers and Renewable Fuels Association to sue EPA over its "blend wall" interpretation of the statute to reduce volumes for the 2014-'16 RFS. The U.S. Court of Appeals for the District of Columbia Circuit sided with us and struck down EPA's use of the general waiver authority. ACE applauded the court decision calling it a win for the farmers, Main Street businesses, investors, and renewable fuel producers. It's also a win for consumers who deserve access to renewable fuels which are less expensive and cleaner than gasoline. The Court ordered EPA to restore a 500 million gallon shortfall to the 2016 RFS. ACE is working with our allies and EPA to make sure this remedy is addressed in 2018.

# **Industry Collaboration**

#### **Exports**

International exports of ethanol and DDGs are essential to the profitability of the industry. Over the past year, ACE leadership has become more actively involved in export promotion. At the request of the U.S. Grains Council, Ron Lamberty, ACE Senior Vice-President, traveled to Mexico to meet with gas station owners about transitioning to E10 in August. Then, in September, Lamberty spent time educating members of a visiting USGC delegation from Korea about the octane value of ethanol as a fuel blending component. The following month, Lamberty shared his ethanol market expertise with a visiting USGC trade group consisting of government and industry representatives from Panama, Colombia, Costa Rica, Peru, Paraguay and Uruguay.



In September, ACE CEO Brian Jennings and other ethanol industry representatives went on an ethanol export mission to Brazil sponsored by the USDA and USGC to convey how problematic the tariff rate quota on U.S. ethanol imports is to expanding the global market for ethanol.

Jennings was once again appointed to serve as a member of the USGC Ethanol Advisory Team "A Team." Jennings joined Grains Council leaders in Brazil pressing for continued free and fair trade for ethanol, which you can read more about in the article "Tariff Tension" in the November/December issue of Ethanol Today. Be on the lookout for more USGC-related content in the pages of Ethanol Today in 2018.

#### **Joint Letters and Statements**

Near the end of 2016, ACE cosigned a letter with 16 other organizations within the renewable fuels sector to the Trump-Pence transition team, congratulating the president on his campaign success and reminding him of the positive comments he made on the RFS during the campaign. "We applaud your commitment to the RFS and share your enthusiasm for reinvigorating the economic powerhouse of America's heartland," the letter states.

In early October, ACE along with 10 other biofuel organizations sent another joint letter to President Trump urging the president to ensure the administration remains firm in its commitment to the U.S. biofuels industry amid recent proposed changes to the 2018 RFS by the EPA.

Most recently, ACE, along with a combination of farm, business and environmental organizations, including Environmental Entrepreneurs (E2), the NCGA and Natural Resources Defense Council signed a letter urging members of Congress to support provisions in the Farm Bill that recognize and incentivize farm practices which improve soil health, increase resilience and reduce carbon emissions associated with agriculture, and capture and sequester atmospheric carbon.

ACE looks forward to more industry collaboration in 2018.

# **Grassroots Advocacy**

In 2017, more than 300 actions were taken in ACE's.

Legislative Action Center. The Action site is a resource for submitting comments on proposed rules and regulations as well as contacting members of Congress.

In addition, ACE encouraged ethanol advocates to submit comments to EPA's regulatory reform effort, to participate in EPA's comment period on the proposed RVOs for the 2018 RFS, and to submit comments to EPA for the final determination of fuel economy and emissions standards

(CAFE-GHG) for MY 2022-'25 light-duty vehicles. ACE also urged its members to press for RVP legislation support this year. In March, ACE sent letters to the House and Senate thanking Sens. Deb Fischer (R-Neb.), Joe Donnelly (D-Ind.) and Chuck Grassley (R-lowa) and Reps. Adrian Smith (R-Neb.) and Dave Loebsack (D-lowa) for their leadership and support by introducing the Consumer and Fuel Retailer Choice Act (S. 517, H.R. 1311). This bipartisan legislation addresses the RVP issue by clarifying that E15 should be allowed for sale year-round.



# **New in 2017**

#### **ACE Staff Changes**

The ACE team reorganized job roles and hired Katie Fletcher as communications director this year. Fletcher helps set and guide communication strategy for ACE, and manages the development, distribution and maintenance of all print and electronic collateral media, including press releases,

social media, member emails, ACE's magazine *Ethanol Today*, and more.

Shannon Gustafson now has the title of senior director of operations and programming and assists Brian Jennings, ACE CEO, in the areas of organizational operations. She also organizes the Washington, D.C. fly-in and annual conference.



Chuck
Beck has
the title
director

of special projects and outreach and provides member service assistance, including sales of *Ethanol Today* magazine advertising and sponsorship of ACE events, encouraging member involvement in ACE activities, and promoting industry and ACE-member community events. He also

Shannon

Gustafson,

Programming

Senior Director of

manages a variety of market development projects and events, including serving as a resource for fuel retailers.

Lastly, Liz Bunkers serves as the director of member and industry relations. She is responsible for member service functions, maintaining relationships with ACE members, and developing relationships with non-members. Bunkers serves as a resource for all members, prospective members and ethanol industry partners.



#### **Quarterly Webinar Series**

ACE launched a quarterly webinar series for its members in 2017. The webinars have covered topics ranging from market development trends to progress made on public policy priorities. Past recordings and presentations can be found on ACE's website at <a href="ethanol.org/events/webinar">ethanol.org/events/webinar</a>. Save-the-Date for our first webinar of 2018 on Feb. 20 at 1:00 p.m.

# Flex Forward Fuel Marketer Campaign

ACE also launched a new series of fuel marketer-focused videos on the flexfuelforward.



Bob O'Connor shares his ethanol success story.

of our ongoing campaign to provide real world E15 and flex fuel retailer success stories to prospective higher ethanol blend retailers. The series will address common marketer questions about E15

and flex fuels with straightforward answers from retailers who have already implemented E15 and flex fuels successfully. All episodes are hosted by ACE Senior Vice President Ron Lamberty, a veteran of nearly 40 years of owning and operating c-stores. The video series and flexfuelforward.com will be promoted through paid advertising in print and online c-store industry publications and websites.



Kum & Go

C-store chains that have added E15.

#### **Ethanol Today Magazine Editorial Board**

ACE's bimonthly magazine *Ethanol Today* now has a dedicated group of ethanol industry representatives who serve on its editorial board to provide feedback and suggest ideas on the content. The list of the current editorial board can be found at the <u>back of each magazine</u>. Contact Katie at <u>kfletcher@ethanol.org</u> to learn about joining the editorial board.

#### **New Communication Newsletter**

ACE added a biweekly communication newsletter, in addition to its monthly ethanol producer newsletter and quarterly market development newsletter. The communication newsletter provides a two-week roundup of the most pressing ethanol industry news and events, as well as delivers an update on ACE activity and what's happening within the greater ethanol industry.

# **Market Development**

2017 was a landmark year for E15 as more than 1,100 stations in nearly 30 states now offer the fuel. ACE continued our aggressive outreach efforts with staff attending petroleum marketer trade shows and talking one-on-one with station owners about E15 and flex fuel profit opportunities, as well as Lamberty visiting with groups from around the world to explain how higher blends of ethanol are sold in the U.S. and how similar practices could be adapted in other countries. ACE staff also helped with several flex fuel grand openings, and the launch of the new flexfuelforward.com video series on the ACE fuel marketer site and all of our social media platforms.



Ethanol advocates working at an E15 promotion at Kum & Go in Sioux City, Iowa.

In April, ACE exhibited at the last of the Blend Your Own (BYO) Ethanol campaign events. Since 2009, ACE and RFA have worked together on the BYO campaign, a marketer outreach program to increase the number of E15 and flex fuel retail locations nationwide. The program was funded by the NCGA and several state corn groups. The campaign has proven to be a success

with the number of stations offering E85 increasing from 1,644 to more than 4,000. Coinciding with EPA's midterm evaluation of the 2022-'25 MY vehicle emissions and efficiency standards, ACE organized a joint letter signed by fuel marketers and retailers representing nearly 160 convenience stores and gas stations urging EPA to level the playing field for flex fuel vehicles. This was in response to fuel marketers

asking how they can help support their flex fuel infrastructure and customers.

#### **Grand Openings**

ACE congratulated Jetz Convenience Centers for the addition of new ethanol blender pumps at its station in Muskego.

Wisconsin. The Muskego station debuted the addition of five new Unleaded-88 (E15) and four new E85 blender pumps.

The Muskego location is the second in the Jetz family of five c-stores to offer higher ethanol blends. In November 2016, Jetz became the first fuel retailer in Milwaukee to offer E15 and flex fuels. O'Connor's story is featured in one of the videos

ACE launched on its flexfuelforward.com website in November.

ACE applauded the addition of a new flex fuel station in Nebraska offering ethanol-blended fuel options as well. The



Ribbon cutting at Blue Heron Renewable Flex Fuel Plaza in Gothenburg, Nebraska.

Blue Heron Renewable Flex Fuel Plaza installed Wayne Helix dispensers and offers E10, E15, E30, E40 and E85. Lamberty assisted with the project from its beginnings and ACE has also documented the progress for its flexfuelforward.com video series, to demonstrate the fact single-store owners can add E15 and flex fuels affordably and profitably.

In 2018, the market development team has another busy year planned, and is eager to help with informational seminars and fuel promotions in your area. Contact Chuck at <a href="mailto:cbeck@ethanol.org">cbeck@ethanol.org</a> to get your event on the calendar.

## **ACE Communications**

#### **Industry Voice**

ACE has ramped up efforts to vocalize its messages in front of larger audiences this year. ACE was featured in numerous radio interviews and RFD-TV live interviews throughout 2017. Another highlight is Jennings' opinion piece posted on May 4 in the Washington, D.C. based publication *The Hill* on why renewable fuels are part of an 'America first' energy plan. You can always find insight from ACE leadership in *Ethanol Today* columns, as well as a rotating column in the industry publication *Ethanol Producer Magazine*.

ACE also has put together press releases or media advisories for our members and helped with letters to the editor and opinion editorials in 2017. A few examples include a media advisory to invite press to Siouxland Ethanol's 10th anniversary, a press release on Badger State Ethanol announcing results of its plant expansion, and a letter to the editor ACE helped Jerry Calease with Golden Grain Energy put

together for <u>submission</u> in the <u>Des Moines Register</u> praising lowa senators Chuck Grassley and Joni Ernst for working to ensure that the promises made by President Trump are kept when it comes to ethanol and the RFS.

#### Social Media

ACE has three Twitter accounts (@ACEethanol, @EthanolToday and @FlexFuelForward), a Facebook page (ACEethanol), an Instagram account (aceethanol), a LinkedIn page (American Coalition for Ethanol), and two YouTube pages (ACEethanol, FlexFuelForward). Follow along on all of ACE's social media platforms to stay informed. These platforms can be used as a tool for members to retweet, share and comment on content of interest to the ethanol industry. ACE wants to connect with its members through social media, so if you have an event or any other message you'd like to share through ACE's broad follower base, we would be happy to help you promote something through any of its platforms.

## **ACE Events**

# Washington, D.C. Fly-In

ACE held its ninth
annual Washington,
D.C. fly-in March 22-23.
Seventy-five ethanol
advocates met with more
than 120 members
of Congress from 35



Fly-In attendees at a meeting with Senator John Thune (R-S.D.).

states. Participants included ethanol company investors and management, corn farmers, scientists, fuel marketers and gas station owners — including representation from Jetz Convenience Centers, Cresco Fast Stop, Midway Service, Good and Quick, Sheetz, and Propel Fuels.



Delayne Johnson at the ninth annual fly-in.

During Capitol Hill meetings this year, ACE and fly-in attendees emphasized the need to maintain support for the RFS, urged Members of Congress to cosponsor legislation to extend RVP relief to E15 (S. 517 and H.R. 1311), and discussed the importance

of the biofuels sector to a robust rural economy. Other topics discussed included updating the corn ethanol lifecycle analysis, raising the minimum octane content in gasoline and streamlining the certification fuel petition process, and correcting the Motor Vehicle Emission Simulator (MOVES) model. After the fly-in, the RVP bills received 16 additional cosponsors. ACE is looking forward to hosting the 10th annual D.C. fly-in on March 21-22, 2018.

#### Fly-In Testimonials:

"ACE is a grassroots organization, and it's great to see so many people get together who feel so strongly about the ethanol industry. Being a farmer, a corn grower board member, and now, ACE board member, I feel like it's our duty as rural Americans to come out here and tell our story to tell our politicians what ethanol has done for us in rural America — economic prosperity, keeping young people on the farms, transforming our rural communities."

 Troy Knecht, ACE board member on behalf of the South Dakota Corn Growers Association

"As a member of the Indiana Corn Marketing Council and Indiana Corn Growers, it's important for us to interact with our congressional staff to let them know of our concerns and of how important ethanol is in the state of Indiana,



Grassroots Award recipients from Siouxland Ethanol and Liz Bunkers.

both for the farm economy and the rural economy. Many of our congressional leaders here in D.C. don't necessarily understand what we're dealing with out there in Indiana."

 Ken Parrent, Director of Biofuels, Indiana Corn Marketing Council, Indiana Corn Growers Association.

#### **Annual Conference**

Over 200 attendees gathered in Omaha Aug. 15-17 for ACE's 30th annual conference. Conference attendees heard remarks from Nebraska Gov. Pete Ricketts and enjoyed presentations on topics including ethanol's octane advantages, global ethanol markets, tax reform and production efficiencies. Visit ethanol.org/events/conference to view all presentations.

ACE will host its conference in 2018 Aug. 15-17 at the Renaissance Depot Hotel in Minneapolis, Minnesota.

#### **Conference Testimonials:**

"The ability to get to meet colleagues and suppliers from the industry and discuss issues in a more relaxed manner is probably what struck me most from attending your conference."

 Jim Galvin, CEO and Director, Lakeview Energy



Merle Anderson Award winner, Doug Durante and Todd Sneller.



Ron Lamberty with Charlie Bosselman of Bosselman Enterprises, recipient of the Paul Dana Marketing Vision award.

"If you are struggling with blending, the economics of blending, or the science of blending then this is a great meeting to attend. The level of expertise is fantastic."

- Randy Gard, Executive Director, Bosselman Enterprises

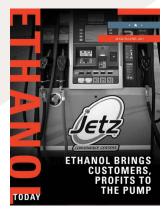
"The location of the ACE Conference is always in the heart of 'ethanol country'. It's easily accessible as well as affordable. The schedule is concise and makes the best use of our time."

Pam Miller, Director of Industry and Investor Relations,
 Siouxland Ethanol, LLC

# **Ethanol Today Magazine**

ACE's bimonthly publication *Ethanol Today* is under new management of communications director Katie Fletcher. The publication has an approximate circulation of 2,000 subscribers, not to mention its online readership on ethanoltoday.com. The publication is distributed to every ethanol plant in the U.S. and office of each member of Congress, in addition to ACE members. Bonus distributions are made at key industry events, including the Commodity Classic, Fuel Ethanol Workshop, IRFA's Summit, Minnesota Ag Expo, ACE's annual conference, the ACE fly-in, and many others. ACE members have a \$500 to \$1,000 credit they can put toward advertising every year, so make sure to take advantage of this opportunity to elevate your company profile in 2018. To access *Ethanol Today*'s updated media kit and editorial calendar, visit ethanoltoday.com.





Two of the Ethanol Today covers from the 2017 publication year.

# **Powered by Our Members**

ACE took part in more than 20 community events that celebrated and promoted the low-cost, high-octane benefits of ethanol. Events included plant anniversary celebrations, youth education events and gas station promotions.

#### **Member Highlights**

ACE has been promoting its membership advocacy and milestones throughout 2017. A handful of ACE member plants reached 10- and 15-year production anniversaries.

Jennings spoke at member plant anniversary celebrations, including Redfield Energy LLC and Siouxland Ethanol. Jennings presented both plants with a plaque on behalf of ACE to commemorate 10 years of production. Pinal Energy also celebrated its 10-year anniversary this summer. Other member plants ACE congratulated for reaching anniversary milestones this summer include POET Biorefining - Big Stone and Glacial Lakes Energy LLC, both reached 15 years of production. ACE member Quad County Corn Processors of Galva, Iowa, also



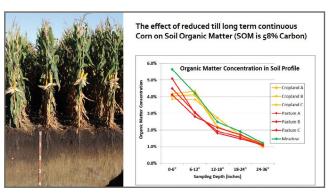
Brian Jennings presents an award at Redfield Energy's 10th anniversary celebration.

reached its 15-year anniversary milestone. Jennings presented at many member plant annual meetings, including Badger State Ethanol's annual meeting in Wisconsin and Dakota Ethanol's meeting in South Dakota, to congratulate member plants on their success and share opportunities and challenges ahead for the ethanol industry.

Jennings also attended the annual meetings of Cardinal Ethanol, Absolute Energy and Ace Ethanol.

#### **Low Carbon Ethanol**

ACE board president Ron Alverson presented at the 13th annual Biofuels Financial Conference hosted by Christianson PLLP in September in Minneapolis, Minnesota, and the Crop Residues for Advanced Biofuels Workshop in Sacramento, California. Alverson's presentations focused on corn ethanol's ability to lower carbon intensity by walking through the current state of science as it relates to the lifecycle GHG emissions of corn based ethanol. Alverson shared ways in which the current lifecycle GHG modeling needs updating, so it can be accurately used to inform low carbon policy decisions and to recognize the climate benefits from further expansion of corn ethanol production and use in the U.S. beyond volumes called for in the RFS. In 2018, ACE will launch an effort to forge consensus around the science related to corn ethanol's role in reducing carbon emissions and work to publish a report with a variety of stakeholders.



Ron Alverson's research data.