



MEMBER ANNUAL REPORT



# TABLE OF CONTENTS



3

LETTERS FROM ACE LEADERSHIP

4

2019 YEAR IN REVIEW

8

KEY INDUSTRY ISSUES

11

STAFF AND BOARD LEADERSHIP

## LETTERS FROM ACE LEADERSHIP



**Duane Kristensen**  
ACE President

Our industry encountered countless challenges in 2019. The following pages serve as a map of the road ACE members traveled this year; from advances made with marketers at home and abroad, setbacks on the RFS, to the development of a new low carbon, high octane legislative plan.

I am reminded daily of the critical role of ACE. Between our continued market development efforts, especially the partnership

with the U.S. Grains Council's retailer workshops in Mexico, and unwavering defense of the Renewable Fuel Standard, ACE worked diligently to protect and grow our markets. ACE's persistence demonstrates a clear value for us as producers, service providers, and individual members.

Our members are the life-blood of ACE's grassroots efforts and your support is needed now, more than ever, because our adversaries have infiltrated EPA and are hoping they can forever limit ethanol demand to current levels.

Please consider joining us at one or both of our annual events: the D.C. Fly-In and Government Affairs Summit (to be held April 2-3, 2020), or the annual conference (to be held August 12-14, 2020 in Minneapolis). These events provide excellent opportunities to stand up and fight for your interests and a prosperous ethanol industry.

I would also encourage you to ask your shareholders, service providers, and industry colleagues to become ACE members if they have not already done so. With increased resources and a broader membership footprint, ACE can do more of what they do best — help grow the market for ethanol.

We owe a great deal of thanks to our members. You are driving the decisions we make at ACE, whether market or policy related, for the future of our high octane, low carbon fuel. Thank you for making these efforts possible, we look forward to working with you in 2020!



**Brian Jennings**  
ACE CEO

Most of us are eager to slam the door on 2019. The highlight was EPA's rule to finally allow the year-round sale of E15, but 2019 was dominated by bad weather, bad markets, bad profit margins and the ugliness of trade wars and EPA's mismanagement of the Renewable Fuel Standard.

ACE members who have been trying to help EPA successfully implement the RFS instead encounter an Agency persistently

siding with refiners to constrain ethanol use. Under President Obama, it was the E10 "blend wall" waiver. We sued EPA, and in 2017, the DC Circuit Court ruled the Agency must restore 500 million gallons to the RFS. EPA has yet to comply with the court order. Under President Trump, it's been the unchecked abuse of the RFS Small Refinery Exemption. We've sued EPA (again), legislation to combat SRE abuse has been introduced in Congress, and we hope the President convinces EPA to reallocate future waivers, but the painful reality is EPA and refiners have us constantly playing defense and losing the overall battle over the RFS.

The weather is out of our control, but the strategic direction we take in 2020 is not. Will we keep doing things the way we have always done them in hopes the outcome will be better this year, or, will we turn the page and take a new approach?

Instead of merely playing defense on the RFS, ACE has decided to go on offense with legislative strategies to increase ethanol use beyond current levels based on high octane and low carbon advantages.

We also continue ACE's unmatched record of working with retailers to expand the use of ethanol around the world and here at home.

Thank you for being part of ACE in 2019. With your support in 2020, we can keep punching above our weight to drive demand for ethanol.

# 2019 YEAR IN REVIEW

## JANUARY 29 ACE calls on Senators to secure ethanol promises from Wheeler before confirmation vote

ACE CEO Brian Jennings sent a letter to U.S. Senators encouraging them to ensure the Environmental Protection Agency finalizes a legally-defensible Reid vapor pressure (RVP) rule to allow E15 use year-round before the summer driving season, and reallocates ethanol blending obligations waived for 2016 and 2017 through the Small Refinery Exemption (SRE) provision of the Renewable Fuel Standard before casting their confirmation vote for (at the time) Acting Administrator Andrew Wheeler.

## FEBRUARY 28 Andrew Wheeler confirmed as EPA chief

Jennings encouraged the newly confirmed EPA Administrator to expeditiously release a legally-defensible rulemaking for E15 use year-round and recommit to finalizing the rule by the June 1 summer driving season, as well as to uphold the RFS as the law of the land by reallocating blending obligations unlawfully waived by former EPA Administrator Scott Pruitt.

## MARCH 1 Diverse coalition submits soil health comments to USDA

ACE joined a diverse coalition of agricultural and environmental groups in submitting comments in support of the Soil Health Demonstration Trial in response to listening sessions by the United States Department of Agriculture on implementation of the 2018 Farm Bill. In late November, the first year of awards under the trial were announced, with a total of \$13 million out of a total \$25 million allocated to on-farm trials. These efforts are important to incentivize farmers to implement practices that improve soil health.

## MARCH 7 ACE, retailers talk opportunities to increase E15 and higher blends

ACE Senior Vice President Ron Lamberty participated in a panel at Nebraska Ethanol Board's 2019 Emerging Issues Forum with retailers about the opportunities and practical considerations to increase E15 and higher ethanol blends. Lamberty was joined by Randy Gard of Bosselman Enterprises and Matt Spackman of Kum & Go.

## MARCH 12 EPA releases proposed rulemaking to allow the sale of E15 year-round

Along with its proposal to allow retailers the ability to offer E15 to their customers year-round, EPA also included reform proposals to the Renewable Identification Number (RIN) credit market in its draft rule.

## MARCH 29 ACE leadership testifies on EPA's proposed RVP/RIN rule

Lamberty testified during the public hearing in Ypsilanti, Michigan, on EPA's proposed rule "Modifications to Fuel Regulations to Provide Flexibility for E15; Modifications to RFS RIN Market Regulations." Lamberty tailored his testimony to the retailer perspective saying, "The fact that thousands of other retailers are willing to jump through EPA's hoops each spring and fall is testament to how valuable E15 is to those businesses and their customers."

## APRIL 2 ACE brings diverse group of ethanol advocates to DC for 11th annual fly-in

ACE hosted 70 members from 12 states (plus D.C. and one from England) visiting 125 offices (representing 45 states) on Capitol Hill April 2-3 in Washington, D.C. Priority issues included EPA's RVP/RIN rulemaking, RFS waivers, and asking Congress to consider ethanol's low carbon, high octane benefits to reduce greenhouse gases (GHGs) and improve fuel economy when tackling climate change. William Wehrum, (at the time) Assistant Administrator of the EPA for Air and Radiation, spoke to the group, as well as Congressman Dave Loebsack (D-IA). For a recap, visit [ethanol.org/events/fly-in](http://ethanol.org/events/fly-in).



## APRIL 29 ACE submits comments on EPA's proposed E15 rule

ACE welcomed EPA's proposal to extend the 1-psi RVP waiver to E15 during the summer months but opposed the Agency's controversial and unnecessary proposals to reform the RIN credit market in comments submitted to EPA's proposed rule. "Taken together, the RIN reforms constitute a poison pill which is incompatible with the goal of making E15 available to consumers year-round," the comments state.

## MAY 2 ACE leads discussion with retailers and equipment expert at High Octane Fuel Summit

Lamberty moderated a panel discussion among Tom Navarre of Family Express, Nathaniel Doddridge of Casey's General Store, and Martin Dunifon with Gasoline Equipment Services Company at the Indiana Corn Growers Association High Octane Fuel Summit at the Dallara IndyCar Factory in Speedway, Indiana. The panel covered real life E15 and flex fuel station conversions, as well as the growth of ethanol sales in their markets.



## MAY 21 ACE elevates low carbon White Paper to Senate Ag Committee

Jennings highlighted the scientific and economic opportunities U.S. farmers and biofuel producers hold to support climate change mitigation and get the rural economy back on track in a letter to Senate Agriculture Committee Chairman Pat Roberts (R-KS) and Ranking Member Debbie Stabenow (D-MI) as the Senate Agriculture, Nutrition and Forestry Committee held a hearing on climate change in the agriculture sector.

## MAY 31 EPA finally cuts RVP red tape on E15

EPA released its finalized rule allowing E15 year-round just in time for the summer driving season. Jennings said, "We're grateful EPA kept the president's promise to get the rulemaking done on time and we will work to ensure retailers understand their hands are no longer tied by red tape preventing them from offering a lower priced, higher

octane E15 fuel to their customers all year starting this summer. For the ethanol industry and farmers, this means greater market access – more ethanol demand over the long term as additional retailers begin offering E15."

## JUNE 11 ACE joins farmers, ethanol producers at Trump's visit to SIRE

ACE leadership, staff and members joined hundreds of farmers and other ethanol industry stakeholders in Council Bluffs, Iowa, to welcome President Trump to Southwest Iowa Renewable Energy and celebrate year-round access to E15. The president walked away from the event directing USDA Secretary Sonny Perdue and EPA Administrator Wheeler to find a solution to the SREs after hearing directly from farmers and biofuel producers, like SIRE CEO Mike Jerke, that the benefit of E15 year-round is blunted by not reallocating the waived gallons.



## JUNE 25 ACE applauds bipartisan Senators' letter urging EPA to update ethanol science

U.S. Senators Dick Durbin (D-IL) and Chuck Grassley (R-IA), both members of the Senate Committee on Agriculture, Nutrition, and Forestry, led a letter in advising EPA to update its environmental analysis on ethanol. ACE published a White Paper in 2018 recommending, as also stated in the Senators' letter, that EPA refer to the latest U.S. Department of Energy GREET model for lifecycle analysis of corn ethanol.



## JULY 5 EPA releases proposed 2020 RVOs

EPA proposed its Renewable Volume Obligations (RVOs) for the 2020 RFS the day after the fourth of July holiday, and Jennings said, "while EPA says it is proposing to maintain the 15-billion-gallon conventional biofuel blending target for 2020, refinery exemptions without reallocation of waived volumes have effectively reduced the RFS by more than 2 billion gallons below statutory volumes. President Trump asked EPA to remedy this issue following his trip to Iowa a few weeks ago and this proposal is a missed opportunity to reallocate the 2.61 billion gallons waived through SREs."

JULY  
8

**ACE, IRFA bring Mexican retailers to Iowa to see ethanol supply chain**

ACE and the Iowa Renewable Fuels Association hosted a tour in conjunction with the U.S. Grains Council in Iowa to show nine decision-makers from key Mexican retail and supplier groups how ethanol blends have been successfully and profitably incorporated across Iowa. "The week's events exceeded our expectations," Lamberty said. "We wanted this tour to end any lingering doubt these marketers might have about implementing ethanol blends in Mexico. After seeing stations and equipment just like theirs being used to sell E10, and hearing station operators say they've sold ethanol profitably for decades without any issues, some who attended plan to do tests in the next several months, and when those tests go well, we'll encourage those marketers to share their success stories with peers in Mexico, as ACE has done to develop markets in the U.S."



JULY  
25

**ACE calls on EPA to rely on GREET model as it considers future RFS volumes**

Jennings highlighted the important role corn ethanol could have in further reducing GHG emissions if properly valued under the RFS in a letter to EPA Administrator Wheeler, informing the agency of a recently published meta-analysis showing that corn stover retention results in significant soil carbon sequestration, and if taken into account by lifecycle modeling, reduces the GHG footprint of corn ethanol far below EPA's current estimate. "As you work on the proposed rule to "reset" RFS volumes for 2021 and 2022, ACE urges you to take this timely meta-analysis into consideration to foster more ethanol blending," the letter states.

JULY  
31

**ACE testifies on proposed 2020 RVOs**

ACE Communications Director Katie Fletcher testified during the public hearing in Ypsilanti on EPA's proposed RVOs for the 2020 RFS. Fletcher's testimony highlighted the difference between EPA's proposed 2020 RVO and the real-world effect SREs have on RFS blending obligations, the need for EPA to reallocate gallons waived for SREs and restore the 500 million gallons unlawfully waived from 2016, and the economic hardship facing farmers and U.S. ethanol facilities.

AUGUST  
9

**EPA issues 31 SREs for the 2018 RFS compliance year**

EPA updated its SRE dashboard, granting 31 of the 38 waiver requests that were pending from the 2018 compliance year under the RFS. "EPA's refiner-win-at-all-costs oversight of the RFS is doing real damage to America's farmers and renewable fuel producers who are already suffering from trade wars and volatile markets," Jennings said in response. "The RFS is supposed to ensure the use of ethanol and biodiesel increases from one year to the next, but 85 SREs later and over 4 billion waived gallons represents an enormous step backwards."

AUGUST  
14

**ACE holds 32nd annual conference, elects board of directors**

ACE's 32nd annual conference theme and programming "What it Takes" reflected the industry's fortitude for growing the business of clean fuel despite several headwinds the industry's been battling. It was a somber yet determined group of ethanol industry representatives who met this year in Omaha for the conference, in the wake of the EPA granting another 31 SREs for 2018 on top of the previous 54 SREs it granted for 2016 and 2017. Nebraska Governor Pete Ricketts kicked off the first day of conference sessions welcoming attendees and pressing the Trump administration to stand behind the RFS. With export markets and trade policy in the spotlight, Ryan LeGrand, president and CEO of the USGC, outlined opportunities and challenges to increase ethanol and coproduct markets around the world. USGC's Mexico team, Stephan Wittig and Jorge Lerdo de Tejada, shared a Mexico market specific update. The conference also hosted the popular retailer panel — this year with Mike Lewis of California-based Pearson Fuels and Randy Gard of Bosselman Enterprises, owner of the Nebraska-based Pump & Pantry convenience store chain. Other topics highlighted during the conference included timely discussions on how the ethanol industry can benefit from the emerging carbon economy and strategies to overcome the margin squeeze, as well as an update on the various legal battles over the RFS from an attorney with Pillsbury Winthrop Shaw Pittman LLP. During the annual meeting, ACE announced the re-election of several board members and elected two new representatives, Troy Knecht and Owen Jones, to the board of directors. Visit ethanol.org/meet-ace/board for a full list of ACE's board and ethanol.org/events/conference for more information about the conference.



AUGUST  
30

**ACE submits comments to EPA's RFS proposal**

Several corn farmers and biofuel producers were cited in ACE's comments, including ACE member plant SIRE CEO Mike Jerke, who said EPA's abuse of small refinery waivers "guts the RFS and breaks the president's promise." He goes on to explain that the August 9 announcement of 31 SREs for the 2018 compliance year, the USDA's August 12 crop report and the trade war with China have combined to potentially take \$10.6 billion away from farmers and ethanol plants and transferred much of that to oil companies.

SEPTEMBER  
3

**ACE keynotes training event for retailers**

As the first summer of nation-wide approved E15 use came to an end, Lamberty keynoted a fuel retailer workshop hosted by NEB for marketers from across Nebraska who wanted to learn more about the benefits and ease of offering E15. "Events like this remind me of the 'old days' when I was traveling around the country helping fuel marketers understand the facts about ethanol and the math of E10," he said.



OCTOBER  
3

**ACE welcomes producer members SIRE, HLBE**

ACE welcomed two new ethanol producer members recently — Heron Lake BioEnergy, a 65 million gallon per year (MGY) plant located in Heron Lake, Minnesota, and Southwest Iowa Renewable Energy, a 130 MGY plant located in Council Bluffs, Iowa. "Over the years, I have been able to see and experience the value ACE offers first hand," said Kenton Johnson, HLBE and ACE board member. "ACE's grassroots approach to public policy and market development is top notch, making the decision to join an easy one," said Mike Jerke, SIRE CEO.



OCTOBER  
4

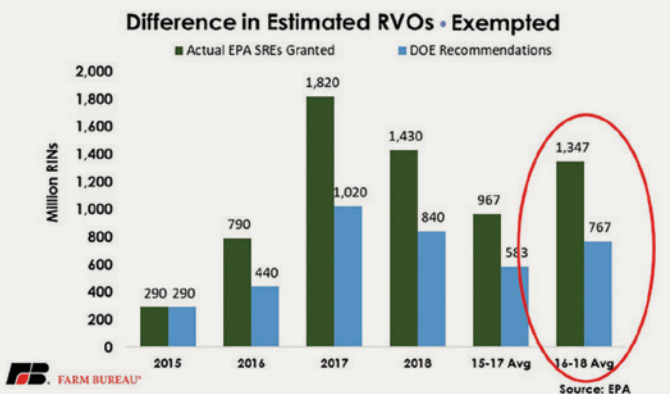
**EPA announces preliminary intentions of RFS waiver reallocation plan**

Jennings thanked rural leaders for prompting EPA's announcement following months of White House discussions with EPA and USDA officials on the RFS. However, because this plan was short on details and the outcome dependent upon a new rulemaking process, Jennings said, "it's unrealistic and premature for me to conclusively praise it at this stage." He added, "your vigilance and grassroots leadership will be necessary to help achieve a positive outcome in the upcoming rulemaking process."

OCTOBER  
15

**EPA issues supplemental rulemaking to proposed 2020 RVOs**

"Simply put, the proposal fails to live up to the hype," Jennings said after reviewing the proposal. White House officials said the "prospective reallocation" plan will involve "taking the three-year rolling average of prior SREs (2016-2018) and reallocate volume to ensure at least 15 billion gallons for 2020 and beyond." Instead, in a bait and switch, EPA proposed to reallocate by using lower DoE volumes EPA previously rejected.



OCTOBER  
30

**ACE testifies on EPA's supplemental rulemaking to proposed 2020 RVOs**

Jennings testified at EPA's public hearing in Ypsilanti on behalf of ACE members, saying "For far too long, farmers and renewable fuel producers who have been trying to help EPA successfully implement the RFS have instead encountered an Agency persistently riding the brakes on the program and constraining opportunities to blend more ethanol. To make matters worse, EPA's recent abuse of SREs recklessly turns the keys to the RFS to refiners who have taken the program on a joy ride." He added, "Refineries should no longer be allowed to drive the RFS in the ditch, it's time for EPA to finally take back the keys to the program."

NOVEMBER  
4

**Rural leaders petition President Trump to uphold biofuel promise**

A broad coalition of biofuel and farm advocates sent a letter to the White House calling on President Trump to fix the flawed proposal from the EPA, which "fails in its mission to reinvigorate farm economies and reopen biofuel plants across America's heartland." The letter was signed by 60 organizations, including ACE.

NOVEMBER  
26

**ACE urges EPA to get RFS back on track in comments**

ACE submitted comments to EPA's proposed supplemental rulemaking to the 2020 RVOs, underscoring that this proposal does not reflect the original deal, and rather, "EPA's proposal brazenly attempts to paper over the fact that actual waived SRE volumes from 2016 through 2018 were double what the Agency is proposing to reallocate in 2020."

# KEY INDUSTRY ISSUES

## MEXICO AND TRADE

Mexico changed its law to allow up to an E10 blend outside of three major cities (Monterrey, Mexico City and Guadalajara) in 2017, representing a potential market of between 600 and 800 million gallons of ethanol demand (1.16 billion gallons including the three cities). Much like when we introduced E10 to U.S. markets outside the Midwest, ACE Senior Vice President Ron Lamberty has been traveling to Mexico to take part in 12 (five in 2019) technical ethanol workshops put on by the U.S. Grains Council and the Mexican Association of Service Station Suppliers (AMPES) to inform Mexican petroleum marketers about opportunities in sourcing, marketing, and retailing ethanol-blended gasoline. Another effort ACE was involved with to expand this marketplace was the tour co-hosted with the IRFA in conjunction with the USGC this summer to bring curious Mexican fuel marketers and suppliers to Iowa to make the imaginary fuel more real for them. Lamberty says after the tour, "...they wanted to go back and find a way to add ethanol to their fuel slate." In fact, Mexican retailers are already buying ethanol – mostly E10 purchased at U.S. terminals and delivered to stations in the northern states of Mexico. ACE will continue to work with the USGC to provide information to retailers and others who want to sell more ethanol in 2020.

On other trade fronts, the U.S. has yet to strike a deal with China and prospects for a deal seem to change by the day. ACE is hopeful this trade relationship develops as it could be a game-changing market for U.S. ethanol in the future because of the country's goal to eventually move to E10 nationwide, a potential 2- to 3-billion-gallon export market. However, a 75 percent Chinese tariff on U.S. ethanol remains at the end of 2019. As the U.S.-China trade war rages on, Brazil is trying to position itself as the go-to supplier of ethanol for China. Prior to the tariff rate quota (TRQ), Brazil was usually our top export destination for ethanol (or Canada). This year, the tariff-free quota



was adjusted to 198 million gallons per year (20 percent tariff on U.S. imports beyond this level), which expires in August 2020. Brazil is implementing a low carbon policy called Renova Bio so this market should grow in years to come. Japan is another country implementing fuel policies to reduce GHG emissions. Currently, the country allows up to 44 percent of its market share for U.S. ethanol as a feedstock for ETBE. The USGC estimates this could be a 95-million-gallon export market in coming years. Toward the end of the year, the stage was set for Congress to ratify the U.S.-Mexico-Canada Agreement (USMCA). Canada is our most reliable export market for ethanol over the course of time and we believe there is a big potential for increasing exports to Mexico in the coming years.

## E15/E85 MARKET UPDATE

Following EPA finalizing its rule extending the 1-psi Reid vapor pressure (RVP) waiver to E15 during the summer months, consumption of the fuel increased compared to last year. There are nearly 2,000 locations in 30 states that offer E15 and ACE is continuing its efforts to ensure retailers understand their hands are no longer tied by red tape preventing them from selling the fuel all year, in addition to informing them about the ease and low cost of adding E15 to their fuel slate.

While E15 volume is growing and will eventually move massive amounts of ethanol, E85 is currently moving significant ethanol volume. Sales of E85 are being driven by economics, some RIN value, and California's Low Carbon Fuel Standard credits that give E85 additional price advantages in the Golden State. There are 4,800 gas stations selling E85 nationwide, many added thanks to the Biofuel Infrastructure Program, but unfortunately, automakers continue to dramatically curtail production of flex fuel vehicles (FFVs). ACE has been helping circulate a grassroots online petition during 2019 that calls on automakers to continue making FFVs. Some positive news regarding FFVs came in August when EPA announced the approval of a new F-factor for 2019 model year FFVs. The F-factor determines the amount of credit auto manufacturers receive for building a FFV. While the 2019 F-factor only applies to vehicles that, for the most part, have already been built, in a letter to automakers, EPA said it has "initiated a forward-looking assessment based on real-world use for the 2020 and later model years with the goal of issuing a new determination expeditiously."

## TRADE SHOWS/MARKETER OUTREACH

Over the course of 2019, the ACE market development team attended nine tradeshow, in addition to a handful of speaking engagements at events and retailer workshops. Over the summer, ACE spread its fuel retailer outreach across the country, bringing the Flex Fuel Forward campaign from Texas to Florida, and over to California. All three states have a large volume of FFVs, so some of the tradeshow talk focused on E85 sales and retailer interest in the economics of selling that fuel blend. However, most of the conversations and questions from retailers were primarily about E15. Curiosity has been rising among retailers, many wanting to know more about chains that have added the blend to their fuel slate. ACE's market development team ended the tradeshow season at the National Association of Convenience Stores Show, the largest annual gathering of convenience and fuel

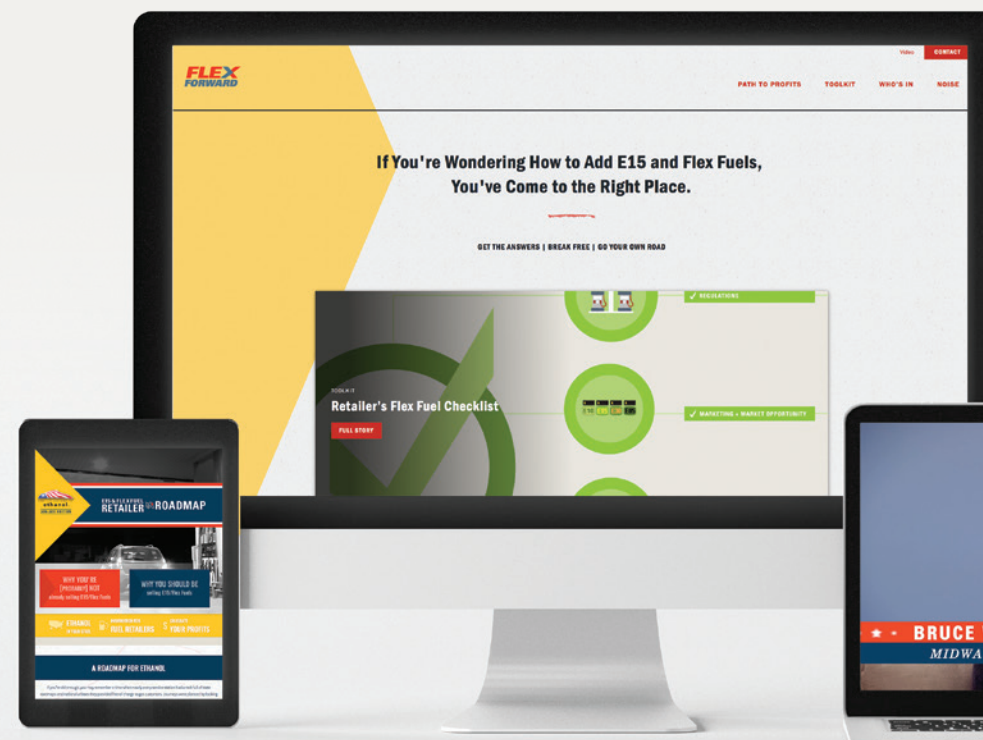
marketing professionals. ACE introduced the revamped flexfuelforward.com website and new videos to prospective E15 and flex fuel retailers attending the show.



2019 TRADESHOW SUMMARY	MONTH	SHOW	LOCATION	ATTENDEE INFO
	February	Western Petroleum Marketers Association Convention	Las Vegas, NV	3,000 attendees from seven states and Canada
	February	Petroleum and Convenience Store Exposition of Mid-America	Kansas City, MO	2,000 attendees from six states
	March	Southeast Petro-Food Marketing Exposition	Myrtle Beach, SC	2,000 attendees from seven states
	March	Midwest Petroleum and Convenience Tradeshow	Indianapolis, IN	4,500 attendees from four states
	April	Wisconsin Petroleum Marketers and Convenience Association Show	Green Bay, WI	600 attendees from five states
	May	Southwest Fuel and Convenience Expo	Fort Worth, TX	2,000 attendees from four states
	July	Sunshine Expo	West Palm Beach, FL	1,500 attendees from two states, Mexico and Brazil
	September	Pacific Fuels and Convenience Expo	San Diego, CA	1,100 attendees from two states
	October	National Association of Convenience Stores	Atlanta, GA	23,500 attendees from all 50 states, Mexico and Brazil

## FLEXFUELFORWARD.COM REVAMP

Based on input from retailers stopping by our booth at tradeshow and discussions we had with marketers, ACE updated the flexfuelforward.com website to include more marketer "testimonials" and in-depth information to answer questions retailers frequently ask about E15 and flex fuel.



Earlier in 2019, we had a conversation with Mike Lorenz from Sheetz, and single store owners Bruce Vollan of Midway Service, and Charlie Good of Good & Quick about questions they've been receiving from other retailers considering adding E15 and flex fuels. Videos from those conversations are on the website. The site has been revamped to emphasize current news including updates to rules as they happen, answers to retailer questions, and easier access to our E15 & Flex Fuel Retailer Roadmap. We encourage you to visit the flexfuelforward.com website and let us know what you think.

## 2019 DOMINATED BY EFFORTS TO DEFEND THE RFS AND COMBAT ABUSE OF SMALL REFINERY EXEMPTIONS

This was supposed to be a year for the industry to progress with E15 year-round, and while the industry is grateful President Trump directed EPA to finalize the RVP rule, the reality is the Small Refinery Exemption (SRE) waivers have undermined that effort.

ACE is constantly joining industry allies in pushing back on EPA's mismanagement of the RFS, sometimes through the court system. In 2016 and 2017, ACE was involved in Americans for Clean Energy v. EPA, the lawsuit against the Obama EPA "blend wall" waiver in the DC Circuit. We challenged and won, however, to this day EPA has still refused to comply with the court order to restore 500 million gallons to the RFS. In 2018, ACE joined the National Corn Growers Association, National Farmers Union, and Renewable Fuels Association in challenging three small refinery waivers granted to CVR Energy and HollyFrontier in the 10th Circuit. We expect a court decision on this litigation in early 2020. That year we joined with groups in petitioning EPA to reallocate SREs it issues retroactively.

After 13 months of no action from EPA, this past July, the coalition asked the court to lift a stay it placed on our joint 2018 petition and restart the legal proceedings. This case is pending in the DC Circuit Court. Finally, at the end of October, ACE joined NCGA, RFA, Growth Energy, the National Biodiesel Board and NFU to challenge the 31 SREs granted for 2018 in the DC Circuit. ACE will keep you updated as developments occur over the coming year.

EPA's obvious disregard for the RFS makes the bipartisan, bicameral legislation that was introduced in 2019 (the RFS Integrity Act) all the more important. The RFS Integrity Act (H.R. 3006, S. 1840) prevents retroactive SRE applications and approvals, requires public disclosure of SREs, and requires EPA to reallocate SREs to non-exempt refiners so statutory volumes are fulfilled.



## A PLAN TO REALLOCATE FUTURE REFINERY WAIVERS AND PROMOTE HIGHER BLEND USE?

We have been urging EPA to fix its supplemental rulemaking to the 2020 RVO to fulfill the President's promise that 15 billion gallons means 15 billion gallons by reallocating the actual average of waived volume from 2016-2018. As of early December, EPA had received 10 SRE requests for 2019. We anticipate full exemptions for this compliance year, but EPA said it will begin approving "partial" SREs

for the 2020 compliance year, although reserves the right to continue issuing full waivers as well.

In addition to a process to reallocate SREs, the RFS "deal" issued by the Trump administration also involves EPA streamlining E15 labeling and removing barriers to mid-level ethanol blends, which EPA has said there will be a separate proposed rule for. Further details have yet to emerge on this proposal. The RFS deal also includes a new USDA program to provide financial support for infrastructure, which USDA has begun working on. ACE has been involved, meeting with USDA officials to provide recommendations for the program. Program details are likely to be unveiled in early 2020.

Another RFS development to watch for in 2020 is EPA's rule to "reset" 2021-2022 volumes. ACE will continue to push to reallocate SREs and restore the 500 million gallons from the "blend wall" lawsuit to boost volume beyond 15 billion gallons. The final rule was expected in February but since the proposed rule has not been released for public comment as of early December, the deadline will slip.

SMALL REFINERY EXEMPTION (SRE) APPROVAL RATE	2013 2014 2015 2016 2017 2018						
	REQUESTS	16	13	14	20	37	38
	APPROVALS	8	8	7	19	35	31
	APPROVAL RATE	50%	62%	50%	95%	95%	82%

## GOING ON OFFENSE: LOW CARBON, HIGH OCTANE INITIATIVES

Defense of the RFS will remain a priority for ACE in 2020. However, we must dust-off the offensive section of our playbook. That's why ACE will lay the groundwork for increasing the use of ethanol through new low carbon, high octane legislative initiatives.

As Congress focuses on climate change, ACE has been discussing the need for a new policy to expand ethanol use, reduce GHG emissions, and revitalize the economy called the Low Carbon Octane Standard (LCOS). By increasing the octane rating of gasoline, the LCOS improves the efficiency of engine technologies, giving automakers a tool to comply with fuel economy standards. The LCOS would also require the source of octane to reduce GHGs compared to gasoline.

At the state level, ACE is also working to increase ethanol use through a Midwest Clean Fuel Standard (CFS), which would serve as a tool to drive ethanol demand. A properly structured state CFS would give a shot in the arm to our federal effort to commercialize high octane fuel. This effort also enables us to be proactive at the state level, giving our members something to advocate for and our elected biofuel champions something to push for on our behalf.

If we fail to position corn ethanol as part of the solution to reduce GHG emissions others will fill the void to position us as part of the climate problem. We've reached an election year, and ACE will be paying attention to what the president and Democratic candidates have to say

# STAFF AND BOARD LEADERSHIP

## ACE STAFF



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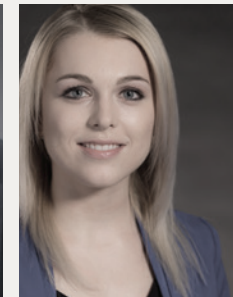
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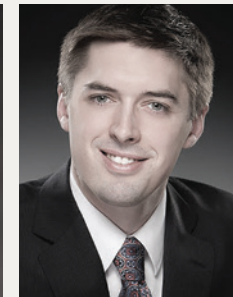
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Missouri Corn Growers Association



**Scott McPheeters,**  
KAAPA Ethanol, LLC



**Pam Miller,**  
Siouxland Ethanol, LLC



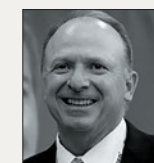
**Anthony Mock,**  
North Dakota Corn Growers Association



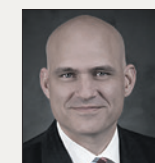
**Doug Punke,**  
RPMG, LLC



**Richard Syverson,**  
Minnesota Corn Growers Association



**Rick Schwarck,**  
Absolute Energy, LLC



**Chris Studer,**  
East River Electric Power Cooperative, Inc.



**Brian Vasa,**  
Nebraska Public Power District



**Robert Walsh,**  
South Dakota Corn Growers Association



**Ronnie Wetherell,**  
Little Sioux Corn Processors, LLC



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