



RISING UP

A year of resilience demonstrated by those in the ethanol industry and the grit these individuals possessed to rise together – stronger than before.

2020

ANNUAL MEMBER REPORT



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**Letter from ACE CEO,
Brian Jennings**

As we turn the page on a year none of us will ever forget (even though most of us would like to), there are reasons to be encouraged.

An election resulting in divided government means our opponents will have an impossibly hard time trying to repeal or reduce the RFS, and politically extreme measures are unlikely to become law.

Nevertheless, the Biden administration and many in Congress will aggressively pursue new policy ideas to reduce greenhouse gas emissions and tackle climate change.

ACE is ready.

In anticipation of this very moment, ACE has been doing spade work the last several years to go on offense and position increasing the use of ethanol as part of the climate solution.

So now, instead of being caught flat-footed, we will begin executing on a strategic plan we call *Accelerate* – ACE’s roadmap for sparking new demand for ethanol. *Accelerate* is built upon three pillars:

1. Increasing demand and value for ethanol through new clean fuel policies
2. Protecting and supporting existing policy-driven markets
3. Developing domestic and international markets



**Letter from ACE President,
Duane Kristensen**

2020 wasn’t the year we planned for (to put it mildly).

While the ethanol industry is no stranger to adversity, this year has introduced new challenges that have forced innovation and adaptation like we’ve never experienced. A perfect storm of oil price wars, regulatory challenges, and a global pandemic overwhelmed our plants

and our people. But, throughout it all, our industry remained resilient. Our years of battling political foes, EPA, oil refineries, and others have made us strong, and we were not so easily shattered.

This year has also provided opportunities. Many ACE members stepped up to serve their local communities, and the global community, by pivoting and producing a higher grade of alcohol to meet the demand for sanitizers and disinfectants. Together, we’ve pushed Congress and the President for necessary financial support, to get the RFS back on track, and pursue export market opportunities.



LETTERS FROM ACE LEADERSHIP

Read more about *Accelerate* on page 10.

ACE has spent the last two years building a diverse coalition and developing clean fuel policy ideas for Midwestern states, and we’re poised to bring those well-researched recommendations to fruition in 2021.

The RFS can still foster market growth and innovation, and ACE will be riding herd on the Biden EPA to comply with the January 2020 Tenth Circuit Court decision to rein-in the use of small refinery waivers and to get the RFS back on track.

ACE’s market development program has the experience and expertise to equip the domestic and international supply chain with the information they need to move higher blends of ethanol. In the coming year we will further raise the ethanol IQ of marketers around the world in paving the way for wider availability of higher blends.

Thank you for sticking by us in 2020. With your continued partnership, we will *Accelerate* into 2021.

We’re excited to share with you what ACE has been up to over the last year; the following pages will explore the many ways ACE creatively rose to the challenge of the pandemic, finding new approaches to ramping up our market development activities, disseminating news, and developing a new policy plan called *Accelerate* to increase demand based on ethanol’s low carbon advantages.

Our members are our partners, our teammates, and our drive. The doggedness of our adversaries requires an escalation of our efforts. For ACE to expand those efforts, they need continued support from members like you. I would also encourage you to ask your investors, service providers, and industry colleagues to become ACE members if they have not already done so. With increased resources and a broader membership, ACE can do more of what they do best — help grow the market for ethanol.

Through challenges and opportunities, we all have a valuable partner in ACE – now more than ever. ACE’s persistence demonstrates a clear value for us as producers, service providers, and individual members. I hope you’ll join me in continuing to partner with ACE into 2021.

★ 2020 ★ DEFINING MOMENTS

In a year of uncertainty, our industry came together to show countless defining moments of character. These moments were illustrated by collaboration, innovation, persistence, and necessity to keep moving forward.

Ethanol quickly became part of the solution to widespread hand sanitizer availability.

Ethanol producers worked hard to keep their teams on the job.

Countless organizations deployed resources to assist companies in understanding and accessing critical stimulus programs.

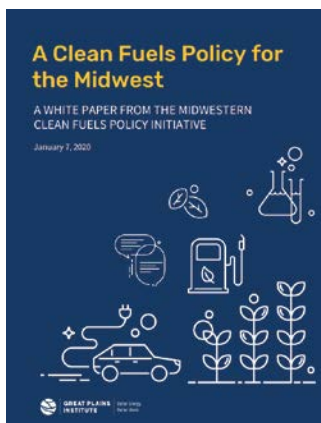
The spectrum of ethanol advocates used their voices to push for inclusion in the pandemic response and recovery conversations.

This past year highlighted what we already knew about the ethanol industry. Even when we're faced with adversity, we rise to the challenge and work together to find a way forward.

The American Coalition for Ethanol salutes you!

ACTIVITY HIGHLIGHTS

WINTER



- Co-funder/Co-founder of the Midwestern Clean Fuels Policy Initiative, which published a white paper in January titled *A Clean Fuels Policy for the Midwest* to provide a framework for clean fuel policy discussions that support increasing the use of ethanol

A Clean Fuels Policy for the Midwest white paper.

- Part of the winning coalition in a key January 2020 court decision in the Tenth Circuit that should have far-reaching implications on the legitimacy of small refinery waivers and limit how they can be used moving forward if applied nationally

SPRING

- ACE lobbyist closely worked with biofuel champions in Congress to draft language for the Renewable Fuel Feedstock Reimbursement Program that would provide direct payments to ethanol producers during the pandemic
- Urged EPA to adjust upward the 2020 RFS blending requirement and RVO to account for the nosedive in gasoline (and ethanol) use as a result of COVID-19, as well as immediately address other RFS priorities



In light of the COVID-19 pandemic, ACE urged the EPA to adjust the RFS blending requirement upward.

- Urged USDA to utilize its authority and allocation of additional funds provided to the Commodity Credit Corporation through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to aid ethanol producers suffering from the economic fallout of the COVID-19 pandemic
- Called on President Trump to direct his Cabinet to establish a plan to aid ethanol producers
- Launched a video series called “Rooted” to shine a light on the ways the ethanol industry stepped up to strengthen rural America and inspired us to support one another



ACE launched the “Rooted” video series to lift up the industry in the Spring.

- Encouraged FDA to provide clarity surrounding hand sanitizer guidance for ethanol producers
- Began encouraging grassroots advocates to call on USDA, the White House, and members of Congress to reinforce the importance of including direct aid to ethanol producers in economic relief packages and continued throughout the year

Pearson Fuels announced their 200th E85 location in 2020 and sold nearly 35 million gallons of E85 in California in 2019. That’s 29 million gallons of ethanol – 25 million more than if those customers had used E10.



SUMMER

- Helped get the Midwestern Clean Fuels Policy Initiative framework included in the U.S. House of Representatives Select Committee on the Climate Crisis June 30 report that recommended Congress enact a LCFS in addition to the existing RFS



ACE helped to get the Midwestern Clean Fuels Policy Initiative’s clean fuel policy framework in the U.S. House committee report in June.

- Helped secure funding for retailers through USDA’s HBIIIP, including helping San Diego wholesaler Pearson Fuels apply and get approved for funding at 122 California retail E85 locations which could amount to 20 to 25 million new gallons of E85 in California
- Joined Urban Air Initiative and 10 state corn grower organizations in submitting comments to EPA asking the agency not to penalize ethanol’s ability to reduce carbon emissions in its Tier 3 test fuel, and challenging the flawed science in EPA’s Anti-Backsliding study which fails to recognize the role of ethanol in reducing GHGs

FALL/WINTER

- Continued engagement with Argonne National Lab scientists on annual updates to GREET model; the 2020 update included a new Feedstock Carbon Intensity Calculator and a new lookup table to estimate rates of soil carbon sequestration from different farming practices which will help government agencies better understand how agriculture plays a pivotal role in reducing the overall CI of corn ethanol



ACE continues to engage with Argonne National Lab scientists on annual updates to the GREET model.

- Helped influence the Minnesota Governor’s Council on Biofuels to include a recommendation for the adoption of a Low Carbon Fuel Standard in its consensus report on the steps needed to grow Minnesota’s biofuels industry



ACE is helping develop traction for clean fuel policy at the state level, and several states are joining Minnesota in exploring clean fuel legislation in 2021.

- Joined a coalition of biofuels and agricultural groups in filing a motion in the U.S. Court of Appeals in the District of Columbia asking the court to enforce its 2017 decision requiring the U.S. EPA to address its improper waiver of 500 million gallons of biofuel demand in the 2016 RVO
- Joined a biofuels coalition in challenging 31 small refinery exemptions EPA granted for the 2018 RFS compliance year
- Helped convince EPA to oppose HollyFrontier’s appeal of our victory in the Tenth Circuit Court to the Supreme Court, which should finally put an end to the abuse of SREs



The petitioners in the original Tenth Circuit Court challenge—ACE, RFA, NCGA, and NFU—welcomed the government’s brief opposing Supreme Court review of the appeals court decision.

Photo below: ACE joined farm and biofuel groups in arguing EPA had absolutely no legal basis for continuing to destroy demand for renewable fuels, which is contrary to the intent of Congress for the RFS program.



MARKET DEVELOPMENT

Flex Check Tool and Flexfuelforward.com

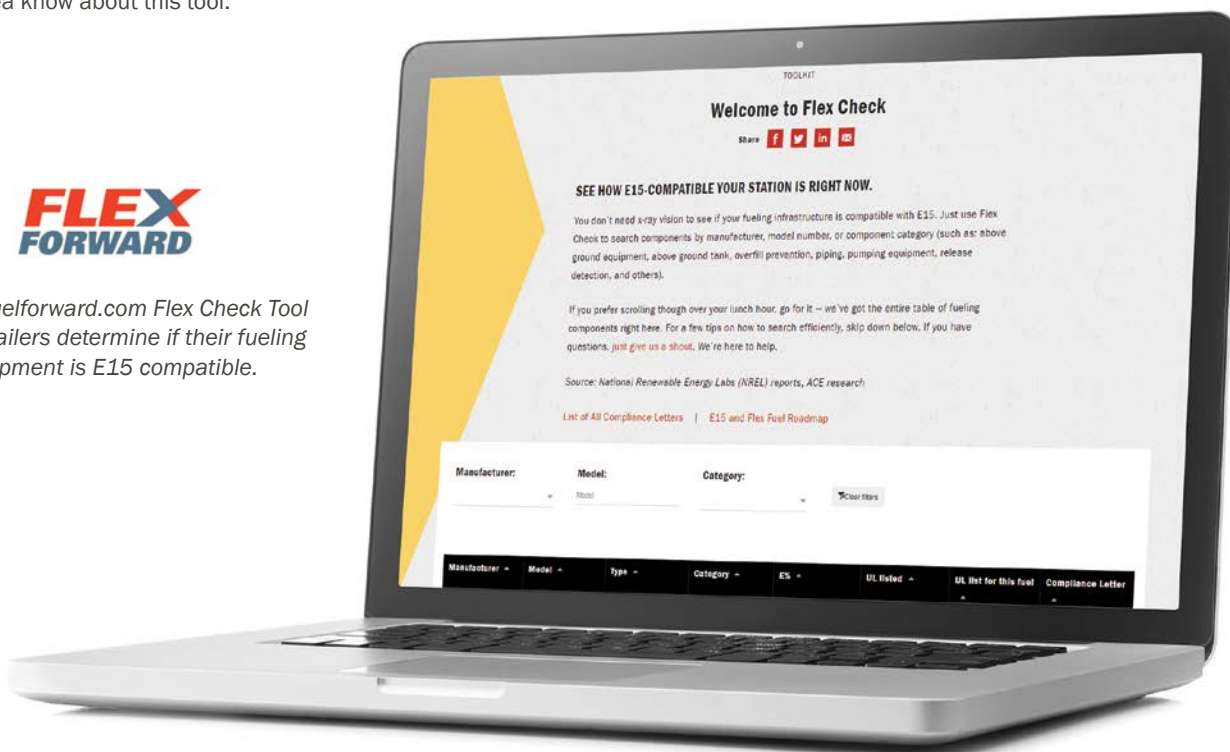
With petroleum marketer trade shows on hold in 2020, ACE focused market development efforts on enhancing our fuel marketer resource webpage flexfuelforward.com. In September, ACE introduced a free, online tool called “Flex Check” to help retailers determine the compatibility of existing station equipment with E15. The Flex Check compatibility tool uses National Renewable Energy Lab (NREL) studies, the Petroleum Equipment Institute’s (PEI) compatibility database, and ACE’s research with equipment companies to give retailers a place they can enter the manufacturer or model of tanks, piping, and other equipment they have on site, and find out if the station is already E15 compatible. All fuel retail sites have at least some E15 compatible equipment and most could sell the fuel tomorrow without a big investment. In line with ACE’s goal of moving new ethanol volume, widespread station conversions will move the needle farther and faster than new construction – and at a much lower cost to station owners and our industry – so ACE is helping inspire those conversions. Tools like Flex Check arm retailers with information to give them confidence they can offer higher ethanol blends without breaking the bank, and to be better prepared to work with equipment providers. Flexfuelforward.com shares information from ACE’s broad base of marketer partners with other prospective high-blend retailers to help them succeed when they make the change. Contact ACE to learn how you can help let fuel retailers in your area know about this tool.



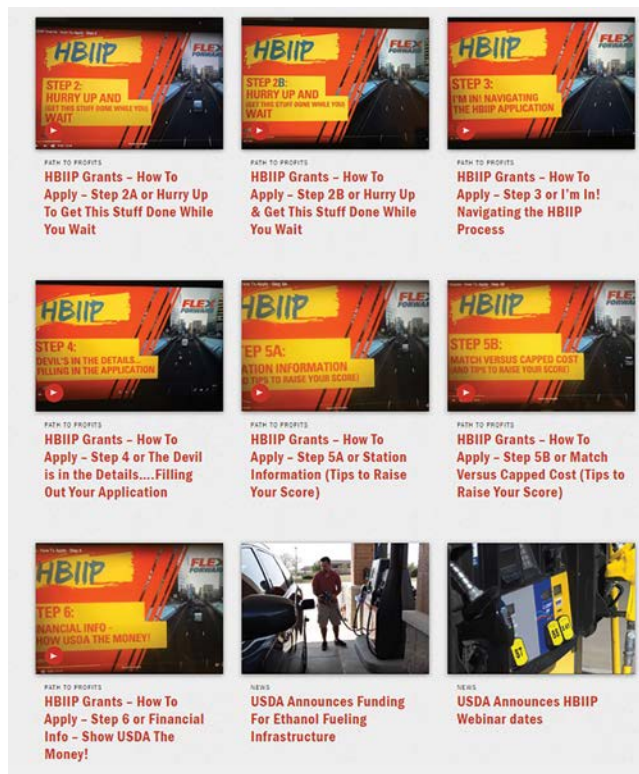
The flexfuelforward.com Flex Check Tool helps retailers determine if their fueling equipment is E15 compatible.



An online ad design advertising the benefits of checking for E15 compatibility.



Higher Blends Infrastructure Incentive Program (HBIIP)



The flexfuelforward.com website featured a video series on how to apply for HBIIP grants successfully.

In addition to the new Flex Check tool, an effort that drove online traffic to flexfuelforward.com was a series of short videos to assist busy convenience store and gas station owners and operators in applying for USDA's fuel infrastructure grant program (HBIIP) by breaking up the application process into more manageable pieces. ACE fielded HBIIP information requests from fuel marketers from Connecticut to California.

We were happy to play a part in helping several marketers work through the application process, including a long-time Nebraska retailer, who applied to add 11 more E15 and flex fuel sites, and to assist San Diego E85 wholesaler Pearson Fuels as they applied for HBIIP funds for 122 California retail E85 locations. Both companies were approved to receive HBIIP funding upon completion of final environmental approvals, which were backlogged by the high demand created by the HBIIP program.

E15/E85 Market Update

This year marked the one-year anniversary of E15 year-round, and over the past year since the red-tape barrier was removed, E15 sales were up 50 percent. Even so, this benefit has yet to be realized with EPA's continued abuse of the RFS. Not to mention, 2020 sales have been further dampened with COVID-19 causing the lowest fuel consumption in decades, according to the Energy Information Administration. As of mid-December, the industry is still waiting for the EPA to propose the 2021 RFS rule, apply the precedent set by the Tenth Circuit Court to pending and future SREs, and issue the proposed rule to streamline E15 regulatory burdens that was originally expected March 2020.



Thanks to the HBIIP program, more E15 locations will be added across the country.

Thanks to programs like HBIIP, more locations will be added. Over 2,200 locations are now offering E15 in 30 states and HBIIP is expected to add 600+ locations. 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. Unfortunately, automakers continue to dramatically curtail production of flex fuel vehicles (FFVs). There are over 5,000 E85 locations and thanks to HBIIP about 500 more will be added.

The Bottom Line

The most outspoken ethanol advocates among fuel marketers didn't get that way because of regulations or programs. The bottom line for retailers is always their actual bottom line. Regulations change and infrastructure programs come and go, but retailers always need the same thing: they need to know if selling our product will make them more money. They need someone who speaks their language and can explain how new rules work, whether they need different equipment, and if they do, where they can find money to make changes. They also need to know how other retailers just like them have marketed higher blends of ethanol to add customers and profits. Whether it's our market development director who has worked in that industry for more than four decades, or the people he has worked with and learned from over those years, ACE provides the information retailers need to sell more of our ethanol to their customers.

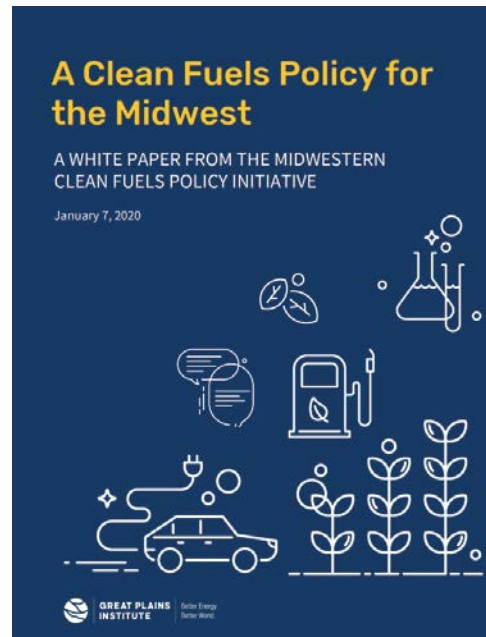
GOVERNMENT AFFAIRS

RFS Developments

The year started off on a positive foot with the Tenth Circuit Court siding in our favor with its decision that EPA overstepped its authority in granting three specific small refinery exemptions to CVR Refining and HollyFrontier. The court's ruling is expected to dramatically limit the number of refinery waivers granted by EPA in the future. Nevertheless, EPA's abuse of the RFS over the years has done significant damage and the Agency has a number of unfinished items piling up on the Administrator's desk. One item we've been waiting for EPA to address for years is the improper waiver of 500 million gallons of biofuel demand in the 2016 Renewable Volume Obligation (RVO) due to the so-called "blend wall." To remind EPA we expect them to act, ACE joined a coalition of biofuels and agricultural groups late November in filing a motion in the U.S. Court of Appeals in the District of Columbia asking the court to hold EPA accountable. The small refinery waiver abuse got worse mid-year when EPA disclosed it was considering retroactive, so-called 'gap year' waivers, which thankfully since have mostly been denied. What's more, oil-state senators, governors and attorneys general unjustifiably attempted to blame the RFS and renewable fuels for the recent economic downturn by asking EPA to reduce the 2020 RVOs. ACE called on EPA to do the exact opposite by increasing the RVOs to the percentage necessary to ensure that the full 20.09 billion gallons required by the RFS were used due to the unanticipated drop in ethanol blending. We rounded out the year with EPA failing to even put out the proposal for 2021 RVOs by the Nov. 30 statutory deadline. Our attention is now on waiting to see who will lead the Biden EPA and trying to leverage the Senate confirmation

process for the new Administrator to get the RFS back on track. While defending the RFS remains an important priority for ACE moving into 2021, we're increasingly focusing on proactively promoting increasing the use of ethanol as a solution to policies designed to tackle greenhouse gas (GHG) emissions.

Clean Fuel Policy Initiatives



A Clean Fuels Policy for the Midwest white paper.

ACE helped lead a diverse coalition of Midwestern organizations in developing a policy blueprint to encourage states to adopt policies leading to new low-carbon fuel markets. Our report *A Clean Fuels Policy for the Midwest* was released in January 2020. At the federal level, ACE has engaged key congressional offices to position agriculture and ethanol as part of the solution to their policy efforts designed to reduce GHG emissions. Our engagement with Congress led the House Select Committee on the Climate Crisis to include a page from our Midwest Clean Fuel Policy blueprint in its June 30 report by recommending Congress develop a technology neutral Low Carbon Fuel Standard (LCFS) that would provide meaningful economic benefits to farmers and biofuel producers. Traction is being made at the state level too. In November, the Minnesota Governor's Council on Biofuels recommended detailing a plan for the adoption of a LCFS in its consensus report on the steps needed to grow Minnesota's biofuels industry. Several states are joining Minnesota in exploring clean fuel legislation in 2021. ACE looks forward to continuing to engage with leadership at the state and national level on the need for new clean fuel policy built on top of the RFS that can further expand the domestic marketplace.

ACCELERATE

We're all familiar with the 5 Ws – Who, What, When, Where, and Why. Asking these questions helps us gather information or solve problems, but it's also an important tool to measure the value of your ACE membership. Traditionally, you might evaluate our success by asking *What* we've accomplished in the past year and *Who* is making it happen.

But that doesn't tell the whole story, nor does it adequately capture the progress we have made or our vision for what success looks like. We're introducing a new initiative called *Accelerate* to better communicate the value of your membership in ACE. *Accelerate* is simply a plan designed to spark new demand and value for ethanol using a proactive approach to spur growth in our industry.

The *Accelerate* plan builds on our current work in three-key focus areas:

1. Increasing demand and value through new clean fuel policies
2. Protecting and supporting existing policy-driven markets
3. Developing domestic and international markets

So, when looking at your partnership with ACE, consider these additional Ws:



Where:

The *Accelerate* plan maps out the journey we will take to success. There are complex challenges in front of us and it will require a systematic approach to achieve meaningful results.



When:

Our plan includes five-year benchmarking to illustrate what success looks like. But it doesn't mean our work stops in 2025. This approach provides flexibility to respond to timely items without deviating from our ultimate goals.



Why:

To increase demand! We are laser-focused on expanding the use of ethanol, so the focus areas of *Accelerate* have been carefully selected because we know they matter to your company in measurable ways. We intend to showcase this return on investment to you through the duration of this initiative.



And don't forget about the H – How:

How you can get involved in this initiative with us. You are our most effective advocates and helping you tell your ethanol story is important to our collective success.

We're in this together - and together we will *Accelerate* a future for ethanol.



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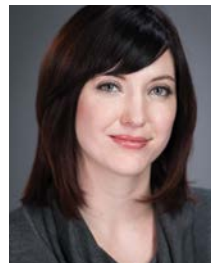
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