



MEMBER ANNUAL REPORT



BILLION GALLONS OF ETHANOL PRODUCED IN

2018

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The end of 2018...

marks the end of my first full year as ACE President. It has been a year filled with successes, opportunities, and many challenges. The following pages provide a snapshot of noteworthy moments from the past year. Though we have accomplished much, we have our share of battles ahead.

As new attacks were being launched on our industry last year, I was reminded of the importance of trade organizations like ACE. Between the expansion in market development efforts, increased participation with the U.S. Grains Council's work in Mexico, and commitments to lawsuits defending our lost biofuel gallons under the Renewable Fuel Standard (RFS), ACE worked diligently on our behalf to protect and grow our markets. ACE's efforts demonstrate a clear value for us as producers, service providers, and individual members.

Our members are the life-blood of ACE's grassroots efforts; without your support we would not be the organization we are today. Increased attacks on our products call for an escalation in our advocacy efforts. For ACE to expand those efforts, they need continued support from members like you.

Thank you...

for your membership support in 2018! Looking back on the year, we scored some victories and suffered some setbacks.

To paraphrase Teddy Roosevelt, "nothing in the world is worth having or worth doing unless it means effort, pain, and difficulty."

It's true. Wrangling over market share with oil refiners, some of whom are the most profitable companies in the world, has always required us to exhibit grit and determination. For ACE specifically, it has required us to punch above our weight.

Your membership support enables us to return a serious bang for your buck. Thanks to you, ACE successfully worked to help increase the use of E15, E30, and E85 in the U.S. and educated hundreds of station owners in Mexico about the value of ethanol. Thanks to you, we helped convince the President to tee up a rule allowing E15 use year-round. Thanks to you, we have helped defeat horrible ideas like Renewable Identification Number (RIN) caps and turning the RFS into a trade-distorting subsidy program.

Please consider joining us at one or both of our annual events, the D.C. Fly-In in April, or the annual conference in August hosted in my home state of Nebraska! These events provide excellent opportunities to elevate your industry involvement.

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 more resources and a greater 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 2019!



But we've got more work to do, so we urge you to support ACE again in 2019. We are taking EPA and refiners to court over backdoor refinery waivers which have collapsed RIN value and destroyed ethanol demand. We are elevating the high-octane benefits of fuels like E30. We are going on offense to promote the low-carbon value of corn ethanol in California and other states and convincing environmental groups and NGOs to join us in this effort. Finally, we continue ACE's unmatched record of working with retailers to expand the use of higher ethanol blends here at home.



Thank you for being part of ACE in 2018. With your support in 2019, we can keep punching above our weight to drive demand for ethanol.



February

February 6

ACE Commends Senator Grassley for Finding RFS Not a Significant Factor in PES Bankruptcy

- ACE CEO Brian Jennings commended Senator Grassley’s “spot-on” analysis that the RFS compliance mechanism (RIN credits) is not the primary reason for the bankruptcy filing of Philadelphia Energy Solutions, which attributed its bankruptcy filing in part to the RFS program.

February 13 ACE Praises Industry Recognition of Outgoing Board President

- Ron Alverson, outgoing ACE board president, was recognized by the Renewable Fuels Association (RFA) for his steadfast commitment to low carbon ethanol. “It is an inspiration to keep working on this and we’ll be zero carbon ethanol someday because corn is this wonderful plant that can extract carbon out of the atmosphere and sequester it in the soil,” Alverson said.



February 26 ACE Endorses Farm Group Letter to Trump to Protect RFS

- “Never before have U.S. farm groups spoken with such a unified and clear voice that they don’t want EPA or Congress messing with the Renewable Fuel Standard,” Jennings said in support of a letter signed by the National Corn Growers Association, American Soybean Association, American Farm Bureau Federation, National Farmers Union, and National Sorghum Producers.

March

March 1 ACE Thanks Members, Senators for Strong RFS Support

- Oil and ethanol advocates met with the President to continue discussions regarding the RFS. ACE board member, Rick Schwarck, and retailer, Charlie Good, were among the attendees. At the meeting, they explained how Reid vapor pressure (RVP) relief for E15 would aid in RIN price reductions. They also conveyed that capping RINs would destroy demand for renewable fuels.

March 26 ACE 2018 Fly-In Marks a Decade of Advocacy on Capitol Hill

- More than 70 grassroots ethanol advocates gathered to share their ethanol stories with decision makers on Capitol Hill. ACE welcomed EPA Assistant Administrator for Air and Radiation, Bill Wehrum, and Senator Joni Ernst to make remarks to attendees. Ernst restated the importance of the RFS and urged attendees to stay vigilant.



IA Senator Joni Ernst makes remarks to fly-in attendees.

*Photo Credit:
ZimmComm Media*



Ethanol advocates gather for a photo before their Capitol Hill meetings.

Photo Credit: ZimmComm Media

April

April 2 ACE: EPA's Course Change on CAFE-GHG Standards an Opportunity for High-Octane Fuel

- EPA issued its final determination on the appropriateness of model year 2022-2025 vehicle emissions standards, effectively triggering a new process to revise the standards. ACE submitted comments to EPA's proposed revisions in October 2018.

April 4 ACE Responds to EPA Providing Large Refiner Andeavor a "Small Refiner" RFS Waiver

- Jennings said, "EPA's recent waivers reduce demand for ethanol, making economic conditions worse in rural America and breaking promises President Trump has made to protect the RFS."

April 12 ACE Thanks President for Pledge to Support the Year-Round Sale of E15

- "Allowing the sale of E15 year-round is not only a commonsense step to provide regulatory relief to retailers, it is a win for their customers, who save about a nickel to a dime with each gallon of E15 at the pump. It is also the quickest way to take pressure off RIN prices," Jennings said in response to the President's pledge.

April 30 ACE Commends Senate Leaders for Calling on EPA to Carry Out President's E15 Commitment

- ACE applauded a bipartisan group of 18 senators for their letter to EPA requesting that the Agency carry out the President's commitment to allow the sale of E15 year-round.

May

May 11 ACE Congratulates Petro Serve USA on Offering More ND Consumers Higher Ethanol Blends

- Petro Serve's new facility offers E15, E30, and E85 at 16 fueling points and is Petro Serve's 20th station to offer E15 in North Dakota.



Pictured above (left to right): Kevin Skunes, Jack Dalrymple, Kent Satrang, Dave Carlsrud, Jeff Zueger, Dale Ihry, Ron Lamberty

June

June 13 South Dakota's Rural Champions Rally Against EPA War on Biofuels

- Biofuel advocates gathered in Sioux Falls, SD to voice their concerns about attacks on homegrown biofuels as EPA Administrator, Scott Pruitt, traveled through the state.



June 26 ACE Reacts to Proposed 2019 RVOs

- ACE leadership noted that the 2019 RFS volume obligations proposal is a missed opportunity to reallocate the 2 billion gallons of ethanol demand Administrator Pruitt waived through Small Refinery Exemptions. ACE submitted comments in August on the proposal.

July

July 5 Pruitt Steps Down as EPA Chief Amid RFS Mismanagement, Ethical Scandals

- President Trump announced the resignation of EPA Administrator Scott Pruitt following months of ethical scandals, and the deputy administrator Andrew Wheeler stepped into the role as acting administrator. In response, Jennings said that Pruitt's mismanagement of the RFS and failure to make good on President Trump's promises to farmers and rural America about ethanol policies seemed to have taken their toll. "U.S. farmers are to be commended for standing up and speaking out against Pruitt's ethanol injustices."

July 18 ACE Leadership Testifies on Proposed 2019 RVOs

- "EPA's misapplication of the small refiner waiver authority has destroyed an estimated 2.25 billion gallons of biofuel demand in 2016 and 2017 alone," said ACE Senior VP Ron Lamberty in his testimony.

August

August 13 Beloved ACE Founder and Ethanol Advocate Merle Anderson Dies at Age 96

- Anderson founded ACE when he was 65 years young, a true grassroots champion he is often referred to as “the Father of Ethanol.” Read his entire memorial tribute in the



September-October issue of *Ethanol Today* magazine.

Merle Anderson and his wife of 74 years, Lee, at the 2012 ACE Conference.

August 15 ACE Elects Board of Directors at Annual Meeting

- ACE welcomed two new members to the board: Pam Miller representing Siouxland Ethanol and Bill Dartt representing Cardinal Ethanol.

August 16 31st Annual ACE Conference

- The 31st annual ACE conference took place in Minneapolis, MN. 200 attendees from across the industry gathered for the two-day event to hear presentations and panel discussions on international ethanol demand, prospective fuel markets, and new corn processing technologies.



Pictured above (left to right): Erik Huschitt: Badger State Ethanol, Dale Drachenberg: Didion Ethanol, Pam Miller: Siouxland Ethanol at the conference networking reception.

September

September 12 Farm, Ethanol Groups Urge President Trump to Restore Integrity to RFS, Allow E15 Sales Year Round

- ACE joined industry allies in signing a letter to urge the Trump Administration to restore integrity to the RFS and allow for year-round E15 sales.

September 25 New Webinar Series Addresses Cooling Capacity Issues, System Optimization

- ACE launched a six-part series educating ethanol plant management and staff on how to address cooling system capacity and maintenance issues. Visit www.ethanol.org/events/cooling to watch the series.

October

October 9 ACE Applauds President Trump's E15 Year-Round Announcement

- “We are sincerely grateful the President is making good on his promise to require EPA to issue a rule allowing E15 access to the market year-round...Once a final rule is in place retailers can sell E15 year-round, it will help create additional demand for farmers who are suffering from oversupplies and low crop prices,” Jennings said in response to the announcement.

October 25 ACE CEO Encourages USDA Secretary, SD Dignitaries to Help Expediate E15 Rulemaking for 2019 Summer Driving Season

- Jennings said, “we cannot accept EPA slow-walking the process after the President made such a big splash announcing it for rural America.”

October 26 ACE Submits Comments on How High-Octane Ethanol is the Solution to Improved Fuel Economy, Emission Standards

- ACE's comments emphasized how ethanol-enriched, high-octane fuel blends between 25 and 30 percent (in the 99-100 RON range) would enable automakers to simultaneously reduce GHG emissions and improve fuel economy. A final rule is expected in March 2019.

November

November 30 ACE Statement on Final RFS Volumes for 2019

- Jennings reacted to the final RVO numbers by saying, “On paper, EPA appears to be resisting refiner demands to reduce the conventional biofuel blending in 2019 below the statutory 15-billion-gallon level. However, in reality, as long as EPA fails to reallocate the over 2 billion gallons worth of blending obligations waived for ‘Small Refineries’ renewable fuel demand will remain flat causing farmers and rural biofuel producers to continue suffering the consequences. Economic hardship is real, but not for oil refiners. The truth is farmers and ethanol producers are struggling to make ends meet because of depressed prices caused by man-made limits or waivers on demand.”

Renewable Fuel Standards for 2019

Although corn farmers, lawmakers and biofuel producers applauded EPA for finalizing the maximum ethanol requirement, they’re frustrated that EPA did not re-assign gallons lost to waivers granted to small refiners. The Trump administration let small refiners off the hook, removing 2.2 billion gallons from the 2016 and 2017 mandates.

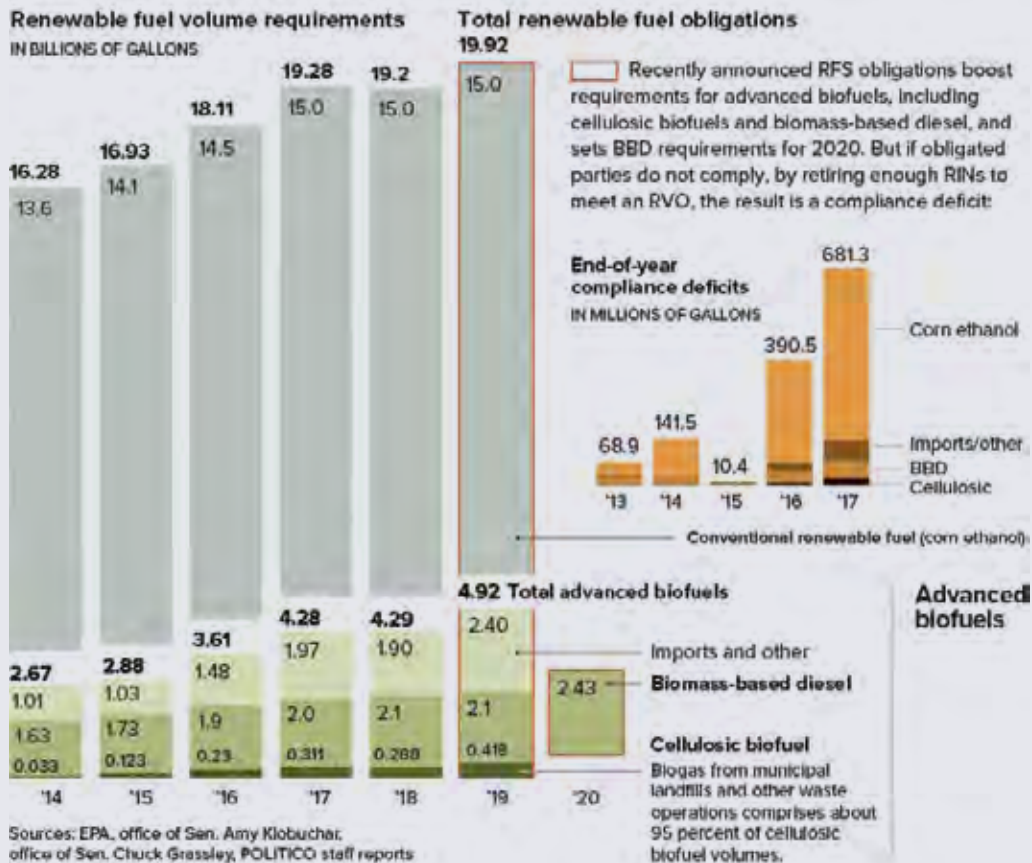
December

December 11 95 RON Trade for RFS Repeal Not an Ethanol Growth Strategy

- Jennings issued a statement responding to a House Committee on Energy and Commerce Subcommittee on Environment hearing on a discussion draft which proposes an exchange of a national (95 RON) octane fuel requirement for repeal of the RFS. “The draft legislation made public by Representatives John Shimkus of Illinois and Bill Flores of Texas draws attention to why higher octane fuel is needed but fails to chart a sufficient course for how to get there.”

December 12 Groups Support Climate Friendly Soil Carbon Pilot Program in Farm Bill

- ACE joined Environmental Entrepreneurs (E2), the National Corn Growers Association (NCGA), and the National Resources Defense Council (NRDC) to thank the Farm Bill conferees for including language in the 2018 Farm Bill to establish an Environmental Quality Incentive Program (EQIP) pilot program to promote and document the benefits of farming practices which improve soil health.



KEY

INDUSTRY ISSUES

Market Development

With all the bad news for ethanol in 2018, there is one major piece of good news that may seem surprising: More ethanol was sold in 2018 than in 2017. Depending on whose numbers you believe, it's between 300 and 450 million gallons more. That's not unprecedented – many of the largest market gains have come at times when ethanol prices were ridiculously low compared to gasoline.

The chart below shows the net differential between gasoline and ethanol, including tax credits through 2011. RIN values are not factored into the prices. Between 2007 and 2009, total ethanol blending doubled, increasing by 5.5 billion gallons, primarily because the price of ethanol was too attractive for retailers and even refiners to pass up. Another 2 billion gallons was added in 2010, again, due to a larger gap between gasoline and ethanol prices.

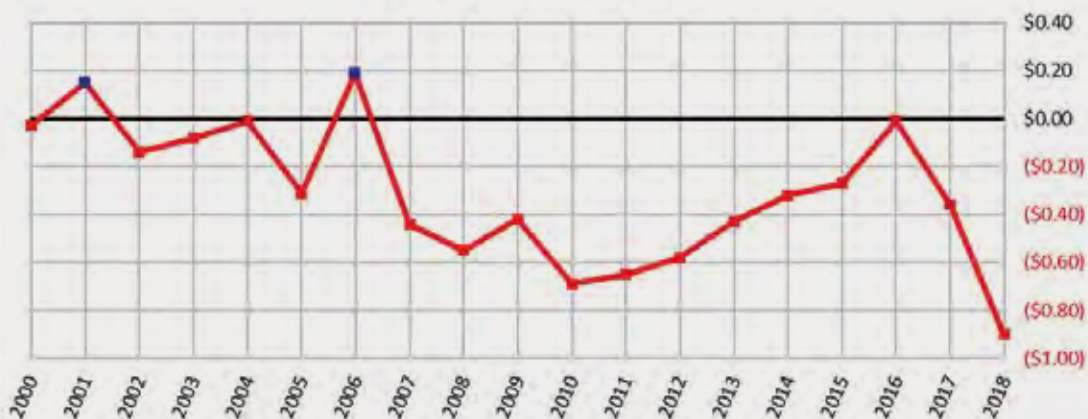
The gap between gasoline and RIN-adjusted ethanol has been even wider than what is shown here, but most retailers don't have the patience or financial ability to play the RIN market, and many refiners simply refused to comply with the RFS in 2016 and 2017 – with EPA's blessing, in the form of small refinery exemptions (SREs). Those SREs limited what should have been another significant increase in blending over the past two years, and artificially low ethanol prices became necessary to keep overall ethanol volumes from dropping.

Another silver lining around the dark low ethanol price cloud has been the continued growth of E85 sales among independent retailers. According to PRX, "For Jan-Aug 2018, E85 production at ethanol plants, by refiners, and blenders was up 45.3% vs Jan-Aug 2017." The work done to find wholesalers of RIN-less E85 and ethanol has been the driving force in more retailers offering higher ethanol blends.

Retailer Videos

ACE's Flex Fuel Forward marketing team released several ethanol promotion videos in 2018. The videos addressed common misconceptions about adding higher ethanol blends – namely that it costs hundreds of thousands of dollars for the equipment needed to sell E15 and flex fuels, which is often not the case. Other videos shared why retailers chose to add E15 and flex fuels, addressed the complaints retailers anticipated from customers before making the move, as well as what actually happened (or didn't happen) when they added E15. Our videos have been seen by more than 5,000 unique viewers. We will be producing a new slate of videos in 2019. Visit Flexfuelforward.com to watch the video series.

Ethanol \$ Vs. Unleaded +/-



Mexico

ACE Senior Vice President Ron Lamberty made six trips to Mexico last year to speak at meetings before groups of petroleum equipment installers and retailers. The meetings were a joint effort of the U.S. Grains Council and the Mexican Association of Service Station Equipment Suppliers (AMPES), designed to inform local station owners about opportunities in sourcing, marketing, and retailing ethanol-blended gasoline, as Mexico's transportation fuel sector continues to evolve. "My presentations to these groups are primarily math and history," Lamberty said. "We 'do the math' on splash-blending less expensive ethanol with gasoline. 'The math' of ethanol blends is undeniably attractive for station owners and consumers right now, and our next challenge will be helping businesses do what they need to distribute



Pictured above: Ron Lamberty presents at a workshop in Chihuahua, Mexico.

Photo Credit: U.S. Grains Council

our product to places where it can be blended and delivered to stations. Fuel equipment companies say the workshops have inspired interest from retailers and prospective wholesale distributors of ethanol." ACE will continue to work with the USGC to provide information to retailers and others who want to sell more ethanol.

Market Development Tradeshows

The Flex Fuel Forward market development team traveled across the country in 2018 connecting with retailers and wholesalers at regional and national petroleum marketer conventions. These events provide the opportunity for one-to-one engagement with the folks who want to sell higher blends of ethanol. We seek to offer resources to attendees and educate them on how to make money by adding E15 and flex fuels to their fuel slate. See below for a complete list of shows and attendee numbers from 2018.



Pictured above (left to right): Ron Lamberty, Isaias Romero Escalona, President of AMPES.

2018 Tradeshaw Summary

Month	Show	Location	Attendee Info
February	Western Petroleum Marketers Association Convention	Las Vegas, NV	1,500 attendees from seven states
February	Petroleum and Convenience Expo	Kansas City, MO	2,500 attendees from six states
March	Southeast Petro-Food Marketing Exposition	Myrtle Beach, SC	2,000 attendees from seven states
March	Midwest Petroleum and Convenience Tradeshaw	Indianapolis, IN	2,500 attendees from four states
April	Wisconsin Petroleum Marketers and Convenience Association Show	Madison, WI	600 attendees from five states
May	Southwest Fuel & Convenience Expo	San Antonio, TX	1,000 attendees from four states
July	Sunshine Expo	Orlando, FL	1,500 attendees from two states, Mexico, and Brazil
September	Pacific Oil Conference	Los Angeles, CA	800 attendees from two states
October	National Association of Convenience Stores Show	Las Vegas, NV	25,000 attendees from all 50 states, Mexico, and Brazil

Small Refinery Lawsuits

- On May 19, ACE joined RFA, NCGA, and National Farmers Union in filing suit in the U.S. Court of Appeals for the 10th Circuit to challenge three, specific waivers of the RFS that EPA granted in secret to profitable refining companies. “EPA left us with no other choice but to challenge their systematic cuts to ethanol blending in the U.S. by distorting intent of the law to grant hardship waivers to refiners which in some cases exceed the definition of ‘small’ and fall short of demonstrating ‘disproportionate economic hardship,’” Jennings said.

[Ethanol Coalition Files Suit Against EPA’s Secretive Small Refinery Exemptions](#)

- Then, on June 4, ACE joined a coalition of farm, ag, and biofuel trade groups that submitted a petition to EPA requesting that they change their regulations to account for lost biofuel volumes resulting from their decision to grant secretive small refiner exemptions. In contrast to the petition filed in May, this petition seeks a broader, forward-looking remedy to account for the collective lost volumes caused by the unprecedented number of retroactive small refinery exemptions.

[Farm, Biofuel Coalition Demands EPA Account for Lost Biofuel Volumes](#)

RVP Relief for E15

The journey to get Reid vapor pressure (RVP) relief for blends above E10 has been long and sometimes painful, but the instruction from President Donald Trump for EPA to formally begin a rulemaking process to allow E15 use year-round was an important milestone. The expectation was that EPA will propose a rule in February 2019, which includes options for re-interpreting the Clean Air Act to provide RVP relief to E15. The proposed rule will likely be followed by a brief comment period and public hearing(s) with the promise that a final rule will be done by the June 1, 2019 low-RVP season start date. Acting EPA Administrator Andrew Wheeler has affirmed multiple times that the rulemaking process will be completed in time, saying in recorded media interviews “...our people are already working on it and we’ll be putting out the proposal and getting those comments and then finalizing it before the driving season,” and “we do have the legal authority to do this and we believe it will be held up in the courts.”

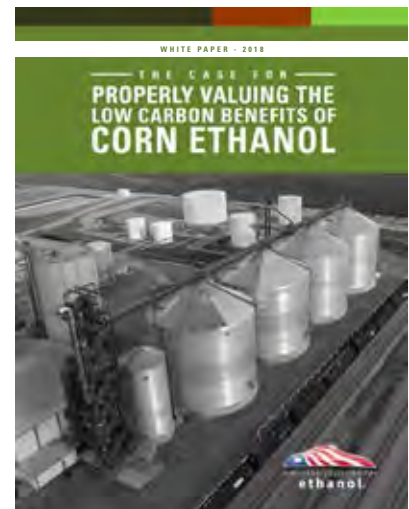
Low Carbon Future, White Paper

This past summer at the annual conference, ACE announced the release of a White Paper entitled, *The Case for Properly Valuing the Low Carbon Benefits of Corn Ethanol*. The paper highlights ways to update lifecycle modeling for corn ethanol and opportunities on the horizon for ethanol as a low carbon fuel.

The RFS was enacted, in part, to drive innovation and production of low carbon biofuels that reduce GHG emissions and as a result the program has successfully replaced 10 percent of petroleum in the U.S. transportation fleet with carbon-friendly fuel. However, the EPA has yet to update its original corn ethanol GHG assessments from when the RFS was enacted over a decade ago to reflect today’s significant GHG reduction benefits. The White Paper argues for the recalculation of corn ethanol carbon scoring based on the carbon sequestration that takes place during the corn plant’s growth.

ACE has worked with the Great Plains Institute (GPI) to engage in a discussion on the merits of the White Paper. GPI is a Midwest-based non-profit organization in favor of reducing carbon in energy production, transportation fuels, and biorefining. “The Great Plains Institute agrees there is a huge opportunity for existing corn ethanol plants to lower their carbon footprint through innovative technology and updated lifecycle modeling,” said Brendan Jordan, Vice President of GPI. “We’re just beginning to see the potential for environmental improvements through carbon capture and storage, soil carbon and agronomy, and plant efficiencies. The ACE White Paper makes an important contribution toward making progress on these goals.” Find the full version of the White Paper at:

<https://ethanol.org/ethanol-essentials/low-carbon-benefits-of-corn-ethanol>.





5000 S. Broadband Lane, Suite 224
 Sioux Falls, SD 57108
 605-334-3381
www.ethanol.org
www.ethanoltoday.com

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STAFF



AND BOARD LEADERSHIP

ACE Staff



Brian Jennings, CEO
bjennings@ethanol.org



**Ron Lamberty, Senior
Vice President and Market
Development Director**
rlamberty@ethanol.org



**Shannon Gustafson,
Senior Director of
Operations and
Programming**
sgustafson@ethanol.org



**Chuck Beck, Director
of Special Projects and
Outreach**
cbeck@ethanol.org



**Katie Fletcher,
Communications
Director**
kfletcher@ethanol.org



**Liz Bunkers, Director of
Member and Industry
Relations**
ebunkers@ethanol.org

2019

LOOKING AHEAD



SAVE THE DATES!

**2019 ACE D.C. FLY-IN &
GOVERNMENT AFFAIRS SUMMIT
APRIL 2-3 • WASHINGTON, D.C.**

The Liaison Capitol Hill Hotel



**2019 ACE ANNUAL CONFERENCE
AUGUST 14-16 • OMAHA, NE**

**Omaha Marriott Downtown
at the Capitol District**

REGISTER & FOR MORE DETAILS: ETHANOL.ORG/EVENTS

TENTATIVE ACE WEBINAR DATES

Q1: February 26 | Q2: May 7 | Q3: September 10 | Q4: December 10

To view past webinars and register for future webinars please visit www.ethanol.org/events/webinar

