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(As Prepared)

A lot has changed in just the last few weeks! They say that “when it rains, it pours.” And for the past several weeks, it feels like we’ve had our share of torrential rains in the ethanol industry.

Three weeks ago, the Supreme Court overturned a key piece of the Tenth Circuit Court’s landmark ruling on small refinery exemptions. The Supreme Court ruled that refiners can petition for an exemption from Renewable Fuel Standard obligations whenever they want, even if they have not had an existing exemption in previous years.

Exactly one week later, the D.C. Circuit Court sided with oil refiners and overturned EPA’s 2019 regulation that had removed the summertime ban on E15 sales in conventional markets. The court said EPA had exceeded its authority by giving E15 the same volatility waiver that is provided to E10.

Now, I’ll be the first one to admit that these court decisions have been disappointing and discouraging. RFA, along with the National Corn Growers Association, National Farmers Union, and ACE, put an enormous amount of time and energy into securing and defending the Tenth Circuit ruling, and this was certainly not the result we were expecting out of the Supreme Court. Likewise, RFA and the other biofuel intervenors in the E15 RVP case—NCGA and Growth Energy—were looking for a decidedly different outcome.

But now that we’ve had more time to digest what these court rulings really mean, we think both decisions will prove to be hollow and short-lived victories for oil refiners who remain intent on keeping ethanol in an E10 box. These decisions are temporary setbacks. They are bumps in the road. We will overcome them—and I’ll share more on RFA’s strategy for doing so in a moment.

And even with these recent letdowns, I would argue the ethanol industry is still in a stronger position today than we’ve been in for years. Our outlook remains bright, and things are not nearly as bad as the headlines—or our opponents—would like us to believe.

Just think about where we were a year ago. Last July, the ethanol industry was trying to claw its way out of the deep, dark hole created by the COVID-19 pandemic. Gasoline and ethanol consumption plummeted by nearly 50 percent in just a few terrifying weeks in March and April last year.

In turn, ethanol stocks swelled, prices plunged, and production collapsed. At one point in April, more than half of the industry's capacity was idled.

But as COVID vaccinations increased and infection rates fell, our economy began to recover. Restaurants and stores reopened, kids returned to school, and workers went back to the workplace.

However, even with the return to more normal activity and travel patterns, fuel consumption this year has remained slightly—and *stubbornly*—below pre-COVID levels.

That is...until two weeks ago.

As millions of Americans prepared to celebrate Independence Day, they also declared their independence from COVID-related travel concerns. Gasoline consumption for the week ending July 2 eclipsed 10 million barrels per day for the first time in history. Ethanol consumption perked up as well, reaching its highest level since August 2019.

One week doesn't make a trend, but the numbers are certainly encouraging.

Ethanol's resurgence is being driven by favorable blending economics. The marketplace is rewarding blenders and refiners who are using as much ethanol as possible. And those favorable blending economics are being primarily enabled by the RFS and strong RIN values.

Last week, a fuel blender could buy a gallon of ethanol that came with a *free* RIN attached for \$2.20. When that ethanol was blended into gasoline, the blender could separate the RIN and sell it for \$1.50 to refiners who refuse to blend ethanol.

That means the real wholesale cost of ethanol to the blender was just 70 cents per gallon, compared to about \$2.25 for a gallon of gasoline blendstock.

This explains why we're seeing retailers offer higher ethanol blends like E85 and E15 at significant discounts to E10 and E0. This also illustrates why robust RFS requirements and a healthy RIN market are so important to our industry's future.

Things are also improving in the international market, as countries around the globe are also recovering from COVID-19 market disruptions.

After bottoming out last summer, U.S. ethanol exports strengthened in the fall and began 2021 with a bang. Following a 31-month hiatus related to the trade war, China has begun importing U.S. ethanol again as the country takes steps to address its air pollution problem.

Meanwhile, the United Kingdom is implementing a nationwide E10 requirement, India has announced a target requiring E20 by 2023, and Canada is in the process of implementing a national Clean Fuel Standard. These policies and others will grow the world market for low carbon fuels and increase opportunities for trade.

Another reason to be optimistic is the fact that renewable fuels continue to enjoy strong support from both political parties and in both chambers of Congress. This support is something RFA has been cultivating since our organization was founded 40 years ago.

We are incredibly fortunate to have so many elected officials who truly understand the benefits and advantages of producing and using renewable fuels. They know that the people in this room play a critical role in creating jobs and improving rural livelihoods, diversifying and securing our energy supply, and cleaning up the air we breathe. They also know that the people in this room are leading the low-carbon fuels evolution, and they know ethanol is the tip of the spear when it comes to decarbonizing our transportation fuels sector.

Our champions in Congress have steadfastly defended the RFS from relentless attack by the oil industry, and they are constantly looking for opportunities to play offense and pursue policies that best position renewable fuels for a prosperous future.

Whether they are ensuring biofuels have a seat at the table in current negotiations over the massive infrastructure bill; or introducing legislation to stem the tide of small refinery exemptions; or looking at the next generation of low carbon fuels policy options; or weighing in with the White House on important regulatory decisions, our friends in Congress step up to the plate each and every day for ethanol producers and farmers—and for that we are grateful.

And while the judicial branch of the federal government has let us down in recent weeks, we are confident that our executive branch remains on the right side of the renewable fuel debate—even though they are under enormous pressure from the oil industry, and even though many of the administration's energy priorities seem focused on electrification.

During the 2020 campaign, President Biden said he would “promote and advance renewable energy, ethanol and other biofuels” and he called the massive issuance of small refinery exemptions by the previous administration a “gigantic mistake.”

EPA Administrator Michael Regan has also repeatedly stated that biofuels will play a critical role in our nation’s efforts to reduce greenhouse gas emissions and tackle climate change.

And of course, renewable fuel producers have a longtime ally in our Secretary of Agriculture, Tom Vilsack.

Granted, the Biden presidency is only six months old, and some crucial renewable fuel policy questions remain unanswered; but so far, we’ve been encouraged by what we’ve heard and seen from this administration about its commitment to the RFS and low-carbon fuels.

All of which leads me back to the two recent court decisions.

The courts have had their say. But now it is up to the Biden administration to make the next move on small refinery exemptions and E15.

And in both cases, EPA has the tools available to lock in long-term growth opportunities for low-carbon renewable fuels and provide the marketplace certainty Congress intended when it expanded the RFS in 2007.

While the Supreme Court did reject the Tenth Circuit’s interpretation of the word “extension,” the high court did NOT overturn two other crucial aspects of the Tenth Circuit decision.

First, the Tenth Circuit found that refiners asking for an exemption must prove that the claimed economic hardship is caused solely by the RFS, not some other outside factor like COVID-related market disruptions. Second, the court underscored that refineries of all sizes pass through their RIN costs in the wholesale prices for their refined products, meaning it will be next to impossible for them to establish that the RFS itself has somehow harmed them.

Those two holdings from the Tenth Circuit decision were not overturned—or even addressed—by the Supreme Court.

And we have every reason to believe EPA will adhere to those two elements of the Tenth Circuit decision. In February, EPA—under new leadership—reversed its position on the Tenth Circuit decision, stating that “after careful consideration ... EPA supports the Tenth Circuit court’s interpretation of the RFS small-refinery provisions.”

Thus, we do not expect the exemption floodgates to reopen. Simply put, EPA's ability to issue waivers remains greatly constrained by the other aspects of the Tenth Circuit ruling—a point upon which EPA appears to agree with us. We believe the era of massive SREs is over.

EPA can also help calm the waters by releasing the long-awaited renewable volume obligations, or RVOs, for 2021 and 2022. Publishing strong RVOs that grow demand—and reallocate any projected small refinery exemptions—would send an important signal to the marketplace at an important time. Strong RVO proposals would let the refiners know that this administration is serious about enforcing the law.

As for the D.C. Circuit's ruling on E15, we think the oil refiners really shot themselves in the foot on this one. While they're taking a victory lap on the Court decision *now*, we think this is a ruling that will come back to haunt them in the end.

Why? Because the refiners who sued EPA to stop E15 are the same refiners who have been complaining about tighter RIN supplies and higher RIN prices. They are the same refiners who claim they have limited options for getting around the so-called E10 "blend wall." And they are the same refiners who claim they want to work with ethanol producers and farmers to preserve a long-term market for liquid fuels.

If they are truly concerned about RIN supplies and prices, why on earth would they attempt to kill E15? After all, a shift to E15 would be the most obvious near-term strategy for rapidly growing RIN supplies and reducing RIN prices.

Think about it. If you were a sawmill operator who was worried about the price and supply of timber, would you set fire to the forests? Of course not, but that's exactly what the refiners have tried to do.

If refiners are legitimately worried about getting past the E10 "blend wall," why would they try to eliminate the best available option for immediately expanding ethanol use beyond E10? And if they are being genuine about their interest in working with us to bring higher-octane, lower-carbon fuels to the marketplace, why would they want to snuff out the very fuel that could jumpstart that transition?

In a world where consumers are demanding a transition from fossil fuels to lower-carbon fuel options, the refiners just made things a whole lot tougher for themselves. They overplayed their hand.

First and foremost, it is important to understand that the court decision *does not* mean retailers who are selling E15 in conventional gasoline markets this summer must

immediately stop doing so. The current E15 rule should remain in force during the remainder of the summer as the appeals process plays out—and there *will* be appeals. But what about next summer? And every summer after that? RFA is encouraging EPA to explore other potential regulatory workarounds that would allow retailers to continue selling E15 all year long.

For example, EPA could establish RVP parity for E15 by effectively removing the relevance of the RVP waiver for E10. By requiring refiners to produce lower-volatility gasoline blendstock for all markets, EPA could make the existing 1-psi waiver for E10 irrelevant and ensure that the volatility of both finished E10 and E15 fuels remain below regulatory limits.

EPA had begun to examine this option under the Obama Administration, and it is an approach that had the support of RFA, automakers and some environmental groups.

State governments could also act to provide RVP parity for E15 in their states. The federal statute allows states to effectively “opt out” of using the 1-psi RVP waiver for E10 in conventional gasoline areas, again putting E10 and E15 on equal footing and requiring refiners to produce lower-volatility gasoline for those states.

We’re also working with Congressional champions to identify any possible opportunities to secure a legislative solution for establishing RVP parity for E15 and E10, and in fact we expect legislative language to be introduced any day now.

In addition to all the recent courtroom drama, we’re hearing more rhetoric from pundits and politicians who suggest ethanol’s days are numbered due to the emergence of battery electric vehicles. We beg to differ.

President Biden has promised to put the U.S. on a path to achieve net-zero emissions economy-wide by 2050. And you simply can’t get to net-zero without addressing transportation fuels, the single-largest source of U.S. GHG emissions.

Some apparently believe that mandating the sale of electric vehicles is the one and only solution for decarbonizing our transportation system.

But the 1.6 million battery electric and plug-in hybrid electric vehicles on the road today account for just 0.6% of the 267 million cars, pickups, SUVs, minivans, and other light-duty vehicles registered in this country. Because the average vehicle is in use for about 13 years, you simply can’t just flip the U.S. vehicle fleet overnight. In fact, the Energy Information Administration projects that liquid-fueled vehicles with internal combustion engines will still account for 80 percent of new automobile sales in 2050.

To be sure, electric vehicles will play an important role in reducing transportation-related GHG emissions in the decades ahead. And we think there are important long-term synergies between ethanol and electric vehicles.

But we also believe that current discussions about decarbonizing the transportation sector should be grounded in reality. Even under the most aggressive electrification scenarios, we are going to be using hundreds of billions of gallons of liquid fuels in hundreds of millions of internal combustion engines worldwide for a very, very long time.

We have an enormous opportunity to decarbonize those fuels NOW with ethanol—which is essentially a liquid form of solar energy.

In our nation's Corn Belt, we already have a massive solar panel that uses photosynthesis to suck carbon dioxide out of the atmosphere and convert it into energy. That energy absorbed from the sun is stored in nature's perfect battery—the corn kernel. At the ethanol plant, some of that solar energy is converted into renewable liquid fuel that powers our vehicles, some of it is turned into energy and protein that ultimately nourishes our bodies, and some of it is recaptured as biogenic carbon dioxide that is used in dozens of consumer products and industrial applications.

Even after accounting for all of energy and emissions associated with every step of the ethanol production process, today's corn starch ethanol is reducing greenhouse gas emissions by nearly 50 percent compared to gasoline.

Clearly, we are already on our way to “net zero” with ethanol. Proper accounting of soil carbon accumulation in cornfields, using biogas for thermal energy, or adopting carbon capture and sequestration could make corn ethanol carbon neutral—or even carbon negative.

I've said it before, and I will say it again – zero-carbon corn ethanol is coming! But it's going to take smart policy to get us there – policy that puts an economic value on carbon reduction.

That's where Low Carbon Fuel Standards come in.

An LCFS is a technology-neutral, performance-based program that focuses on rapidly reducing carbon emissions from the transportation sector. The LCFS sets annual GHG reduction requirements, then allows transportation fuel suppliers to determine the most efficient ways of achieving those reductions without dictating the use of specific fuels or vehicles.

Ethanol has already proven that it can contribute substantial GHG reductions under existing state LCFS policies. Since enforcement of the California LCFS program began in 2011, the use of ethanol in the state has prevented 27 million metric tons of GHG emissions from entering the atmosphere. Ethanol is responsible for 35% of the total carbon credits generated under the program—more than any other low carbon fuel used in the state.

Ethanol has also been the leading low carbon fuel under Oregon’s Clean Fuels Program, which took effect in 2016.

Other states are noticing the success of California and Oregon and are taking action to adopt their own low carbon fuel programs. Washington is the latest state to sign such a program into law, with implementation scheduled to be in 2023. And LCFS legislation was introduced in several other states this year, including the Future Fuels Act in Minnesota. Most of these bills didn’t advance out of committee this year, but they certainly got a conversation started and set the stage for action in the next legislative session.

While RFA is actively engaged and supportive of state-level programs, our ultimate goal is to secure a national LCFS that serves as a complement to the RFS. To advance the discussion around a national LCFS, we’ve been working with a broad coalition that includes environmental groups, automakers, farm organizations, electric utilities, biogas producers, and many other entities that share our vision for a low-carbon future. We’ve agreed on the basic principles that should guide the design of a national program, and we’ve conducted dozens of joint meetings and educational briefings on Capitol Hill and elsewhere.

We know it won’t happen overnight, but RFA and our coalition partners are confident that our nation will one day have a federal Low Carbon Fuel Standard – and that zero-carbon ethanol—produced by the people in this room—will play a central role in helping our country address the climate crisis.

So, yes, we’ll continue to experience bursts of rain and the occasional downpour—just like we have over the past few weeks with these court decisions. But after every storm, the clouds part and the sun shines through. And I continue to believe our brightest and sunniest days remain ahead of us.

Thank you!