

**Testimony before the EPA Regarding the Renewable Fuels Standard**  
**Governor Kim Reynolds, State of Iowa**  
**August 1, 2018**

Thank you for the opportunity to speak today on behalf of all Iowans regarding the importance of a strong Renewable Fuels Standard or RFS. As Governor of a Midwestern state, I've long been a passionate supporter of biofuels. I understand how crucial a robust RFS is to farmers, rural communities, consumers and the entire Iowa economy.

Iowa's productive fields and innovative farmers continue to utilize technology to increase yields while decreasing inputs and the impact on our natural resources. Our farmers have demonstrated that you can, in fact, feed and fuel the world. Iowa has long been a national Agricultural leader. We are number 1 in corn and soybean production number 1 in ethanol and biodiesel production and number 1 in cellulosic ethanol production.

The RFS plays a major role in sustaining our ability to continue as an agricultural leader by giving farmers another market for their commodities. Over 43,000 jobs are supported by the renewable fuels industry in Iowa, generating \$2.3 billion of income for Iowans.

The impact of the biofuels industry can be felt throughout the state. 3.5% or \$4.6 billion of Iowa's GDP was tied directly to the renewable fuels industry in 2015. As the current Agriculture economy experiences a downturn, sustainable and predictable renewable fuels markets are incredibly impactful to the bottom line of farmers and rural Iowa.

Furthermore, Iowans appreciate having options at the pump and they continue to choose renewable fuels as a lower cost option. According to the Iowa Department of Revenue, Iowans saved over \$314 million in 2015 using ethanol blended fuels.

Our retailers have responded to the demand by investing in infrastructure to provide options for customers. In 2016, USDA BIP Program success (made possible in part by match funds from our local Renewable Fuels Infrastructure Program), led to 217 new blender pumps, 18 underground storage tanks, at 70 sites owned by 17 different companies. Iowa farmers and Iowa business continue to invest in this critical industry, thus the need to ensure its viability.

The EPA's indecision in the past has led to market uncertainty that hurt farmers and froze investment in next generation technology.

For the first time, the RFS level for conventional biofuels, including corn ethanol, was proposed for the statutorily required 15 billion gallons. We commend the administration for its commitment to keeping the RFS at the level set by Congress. I'm also pleased the EPA is bringing predictability and stability to the renewable fuels industry and we are extremely appreciative of the administration's timeliness of this proposal.

In Iowa, we routinely see customers choosing lower-cost, higher-octane fuels like E15 when given the option. Despite summertime restrictions, Iowa's E15 sales grew by 193% and the number of Iowa fuel stations offering their customers the option of E15 grew from 40 to 217 over the last year.

In Iowa, we regularly see a price advantage for E15 to be \$.10 cents below E10 and \$.44-\$.50 cents below E-zero. Iowa customers experience virtually the same gas mileage with a higher-octane, cleaner burning fuel for the price. We must allow states, fuel retailers, and consumers to make the decision on E15 – not federal government regulators. I ask that the EPA immediately grant E15 the same 1-pound volatility waiver as E10 to allow for year-round market access to E15.

Unfortunately, EPA's latest RFS volumes proposal cut the "advanced biofuels" category from 4.28 billion gallons required to 4.24 billion gallons, an important category that biodiesel helps fill. I was disappointed to see biofuels cut overall, and volumes in biodiesel's main category stay flat under the RFS volumes proposal.

In 2016, the U.S. diesel market consumed 2.8 billion gallons of biomass-based diesel. I therefore question the proposed 2.1 billion gallons level for 2019 – 3 years later.

The justification for a biodiesel number appears to be based on two unfounded concerns. First, concerns were raised about the ability of U.S. biodiesel producers to meet higher levels. The US biodiesel industry is barely running over 50% capacity. In Iowa, we're doing a little better than average. But, even in my state last year, we produced about 300 million gallons of biodiesel with roughly 400 million gallons of capacity online and nearing completion.

There is simply no question that there are ample American feedstocks and U.S. capacity to justify a much larger biodiesel number under the law. The U.S. can meet production demand, despite the influx of foreign-produced biodiesel we've seen in our market from places like Argentina and Southeast Asia. These illegally subsidized imports are pricing U.S. biodiesel producers out of their own market in many cases, due to trade and other federal policies that need correction. The correct place to address this is in trade policy at the Commerce Department where corrective action is being taken. Today I urge the EPA to set the 2019 biodiesel level at 2.75 billion gallons.

The final area of the proposal that I'd like to comment on is cellulosic ethanol. The original RFS schedule for cellulosic ethanol was ambitious, which is why the EPA was granted broad waiver authority for this category. But the methodology employed by EPA to determine the 2018 proposed level for cellulosic ethanol falls short of the intent of the RFS law. The EPA essentially "looked back" to 2016 in order to set the level for 2018. The "look back" method employed by EPA falls short and promotes stagnation.

Iowa is home to 2 large-scale commercial cellulosic facilities that utilize corn stover. We are also proud to have the current largest producer of cellulosic ethanol, the Quad County Corn Processors, which utilizes corn kernel fiber. Iowa alone also has 12 additional "traditional" ethanol plants on track to produce cellulosic ethanol from corn kernel fiber in 2018. None of them is accounted for in EPA's lookback analysis. Combined, the corn kernel fiber plants in Iowa will be capable of producing roughly 25 million gallons of cellulosic ethanol in 2018. Yet, the proposed level assumes only 17 million gallons of liquid cellulosic biofuel from the entire country.

I encourage the EPA to implement the required future projections necessary to properly set the 2018 cellulosic ethanol level in the final rule.

In Iowa, we are focused on diversifying our energy portfolio. Renewable fuels are a key piece of the puzzle that allow us to provide home-grown, cleaner-burning, economical fuels. We know the success of the renewable fuels industry is critical to the IA economy. And, for the first time in a decade, there is a significant ongoing expansion.

I ask the EPA, when finalizing this rule, to allow the industry to continue to evolve and flourish. If you do that, renewable fuels production will provide a much needed boost to Iowa commodity prices in addition to providing the lower cost fuel options consumers crave.

Thank you, again, for the opportunity to testify today on this very important issue. The Administration's timely action on the RFS is greatly appreciated, as is your commitment to taking our comments into consideration when finalizing the rule.