

Written Testimony from Governor Terry Branstad (Iowa)

EPA Hearing on Renewable Fuel Standard (RFS) Proposal

June 25, 2015

Good morning, my name is Terry Branstad and I'm honored to serve the people of Iowa as their Governor. On August 15, 2013, I welcomed EPA Administrator, Gina McCarthy, to Iowa at the state fair, and discussed with her the importance of the Renewable Fuel Standard, or RFS, to our state.

That day:

- the price of corn was \$6.00 per bushel;
- but now it has fallen to \$3.38 a bushel, well below the cost of production, and
- Iowa farmland prices dropped 15 percent last year, and
- USDA estimates that farm income will decline 32 percent this year.

Since that time, I have participated in numerous meetings focused on the importance of a robust RFS to a healthy economy in rural America. For example, in January of 2014, Lt. Governor Kim Reynolds, Iowa Agriculture Secretary Bill Northey, Members of the Iowa congressional delegation, and I hosted interested citizens from across Midwest and from both political parties for a "Hearing in the Heartland".

During that open public hearing, 83 individuals testified in support of a robust RFS and only 2 people testified in favor of scaling back the RFS. I had hoped to welcome you all to Iowa for today's hearing, but appreciate that you have at least chosen a Midwest venue outside the Beltway and further from the reach of Big Oil's army of well-paid lobbyists.

I've been a relentless supporter of biofuels dating back to the 1970s, when we called it "gas-a-hol". It's truly incredible to see how the industry has grown and provides diverse benefits to farmers, rural communities, and workers.

With a state that has over 92,000 farmers, dozens of thriving international agri-business companies, and a large variety of bio-science leaders, it's easy to see that the growth is a result of the hard work and innovation of our farmers and the technological advancement in the use of corn, soybeans and other biomass products.

There are many benefits that flow from the RFS and the use of biofuels, including:

- Diversifying our nation's energy portfolio and reducing our dependence on overseas oil,
- Reducing transportation fuel emissions,
- Giving consumers choices at the pump, and
- Helping grow family incomes in rural America.

In fact, biofuels have enabled value-add opportunities for a variety of biostocks including corn, corn stalks, soybeans, and woody biomass. And, renewable fuels have created high-paying jobs and rewarding careers in rural America.

In the current RFS proposal, I recognize that EPA has made some changes. For example, there are some encouraging changes to allow for increased volumes of biodiesel. Unfortunately, on the ethanol front, the agency seems to have bought Big Oil's faulty arguments – hook, line, and sinker. Big Oil has polluted the discourse with half-truths and a narrative that rewards their bad behavior of blocking market access for renewables.

The EPA's indecision the last two years, led to market uncertainty that hurt farmers and froze investment in next generation technology. My hope is that the EPA is open to improving the proposal much further and meeting the original congressional intent of significantly expanding the use of biofuels throughout the country.

The EPA has a choice – protect the deep pockets of Big Oil and their monopolistic practices or nurture consumer choice, renewable energy growth and a healthy rural economy. Unless you advance a robust RFS, you will constrain growth in the rural economy, negatively impacting family farms, agri-business and the biofuels industries, and the citizens and businesses that are part of our nation's rural fabric.

The proposed rule by the EPA would have a direct impact on the 42 Iowa ethanol plants and 13 Iowa biodiesel plants and the scores of facilities across the Midwest. It is estimated that this single EPA proposal would cost thousands of jobs nationally. That's thousands of families who would face undue financial hardship and stress.

The EPA's indecision and proposed rules have negatively impacted land prices, farm machinery manufacturers, and rippled throughout rural America.

I was Governor of Iowa during the Farm Crisis of the 1980s, a time which brought incredible hardship to farm families and rural communities. I will never forget the challenges endured during those times and it is not an experience I want to revisit.

After decades of efforts to reduce dependence on foreign oil, give consumers choices at the pump, and increase family incomes, the EPA's revised proposal would halt further progress. I find it ironic that Big Oil often attacks renewable fuels on environmental grounds through misinformation and

half-truths - this from the same industry that was responsible for the MTBE debacle, the 1989 Exxon Valdez, and the 2010 Deepwater Horizon oil spills.

I hope that the EPA will use some good Midwest common-sense and continue the progress made since 2005.

The use of co-products, such as DDGs, are also important to the growth of agriculture. DDGs are an excellent source of protein for cattle and other livestock and have resulted in significant growth in cattle feeding in the Midwest.

States, including Iowa, and the Federal government are providing incentives for investment in renewable fuel infrastructure. Growth in E15, E85, and blender pumps, can help achieve the important goals set by the RFS. And we are exploring how we might be able to expand those efforts via the recently announced USDA infrastructure initiative.

Retailers in Iowa know the importance of biofuels to our state and have installed blender pumps, which result in higher octane and lower cost ethanol-blended fuels for consumers.

In Iowa, E85 is nearly one dollar cheaper than regular gasoline. When consumers have the choice, as they do in Iowa, they choose ethanol and other biofuels. The oil companies are preventing some of these efforts in other parts of the country and consumers are forced to pay more for fuel.

In the last 18 months, there have been encouraging studies and data provided that I believe gives the EPA an opportunity to refine their approach. Including:

- Data that shows that there is more capacity to integrate biofuels into our nation's fuel supply, and
- Data that shows that RIN activity did not affect prices at the pump.

I look forward to hearing from fellow Midwesterners who embrace choices at the pump and a robust RFS. The EPA's decision will affect the lives of many Iowans, Midwesterners and consumers nationwide. I hope that the EPA shows Midwesterners that the Federal Government has not abandoned its commitment to a robust RFS and revitalizing rural America.

I am hand-delivering letters from Lt. Governor Kim Reynolds and the Iowa congressional delegation – both Republicans and Democrats – as they join me in urging President Obama and Administrator McCarthy to alter the EPA proposal to support a more robust and effective RFS, as they have in the past.

Thank you for the opportunity to present.