

Remarks

American Coalition for Ethanol Annual Meeting

Thursday, July 18, 2002 – 8:15am

Holiday Inn, 72nd St. – Omaha

A Once in a Lifetime Opportunity

It's my honor and pleasure to welcome you to the great State of Nebraska, the nation's number three ethanol producer. I hope while you are in Omaha, you will have an opportunity to enjoy some of things that draw other visitors to the state.

You'll discover that the roads of Nebraska lead to much more than just the next town. Over each hill and around each bend, you never know what you'll chance upon. A stunning sunrise or sunset, breathtaking scenery, a great trout-fishing stream, a small town parade or a world-class performing arts center.

The road to culture will take you to ethnic festivals, museums and fine art. Navigate your way to home-cookin' cafes and upscale international dining. Explore the country which inspired Willa Cather, Wright Morris, John G. Neihardt, Mari Sandoz, Buffalo Bill, Crazy Horse and Bess Streeter Aldrich.

A minute ago, I mentioned Nebraska is the nation's number three producer of ethanol. Nebraska didn't get to that lofty perch overnight. It took grit and determination, and many, many years. Some of you may not know that the nation's first E-Ten gas pump debuted in Lincoln in February 1978 – 24 years ago.

It took another seven years before the ethanol sold in the state was produced in Nebraska. And it took another nine years before Nebraska became self-sufficient in ethanol production. That's 16 long, hard years, and even then there were only two plants converting grain to fuel.

Today, we are riding the crest of booming ethanol production. The six operating plants in the state are poised to break production records for the seventh straight year. And two new plants totaling

60 million gallons should be operational next year. Another 19 plants are in various stages of development. In short, look out Iowa!

In the next year or two, Nebraska could leap past our neighbor to the east to the number two spot. If all the 19 plants currently being planned are built, more than 640 million gallons a year of new capacity will be added. If that happens, more than A BILLION GALLONS A YEAR would be produced – just in Nebraska.

At the state – and now the federal – levels we have crafted policies that put ethanol production and use on a solid path to growth.

While we are gathered here today, Congressional conferees and staff members are thrashing out the details of a 500–page energy bill that will represent the culmination of years – yes, years – of determined effort by many to solidify a role for ethanol in the nation’s transportation fuels market.

We are fortunate this morning to be joined by two individuals who have been key to creating a national policy favorable to ethanol. They have labored long and hard on this issue, negotiating barrier after insurmountable barrier, hurdle after hurdle. At long last, victory is within sight. Before the end of the year, a renewable fuel standard will be the law of the land – on that you can be assured.

We have asked the authors of the renewable fuel standard, Majority Leader and South Dakota Senator Tom Daschle and Indiana Senator Richard Lugar to share their thoughts with us.

Senator Tom Daschle grew up in South Dakota and was the first in his family to graduate from college. He later served as an intelligence officer in the Air Force. He was first elected to the House of Representatives from South Dakota in 1978. In 1986, he was elected to the Senate in a very close race, and last year he became Majority Leader of the Senate. Nothing epitomizes Senator Daschle’s approach to politics than his now legendary "unscheduled driving tours" of his home state to hear what is on people’s minds. He makes a point of traveling to each of the state’s 66 counties every year.

Senator Dick Lugar is an unwavering advocate of U.S. leadership in the world, strong national security, free-trade and economic growth. The longest serving U.S.

Senator in Indiana history, he was first elected to the U.S. Senate in 1976 and won a fifth term in 2000. He is the Republican leader of the Agriculture, Nutrition and Forestry Committee and a senior member on the Foreign Relations and Intelligence Committees. Lugar is both a public servant and a farmer who remains active in managing his family's 600-acre corn, soybean and tree farm.

Please join me in welcoming Senator Daschle and Senator Lugar who are joining us via satellite from the nation's capital.

[Interruption for Remarks and Awards via Live Feed from DC]

Thank you Senator Lugar and Senator Daschle. Before we turn to a couple of questions from the audience, I would just like to take a moment to express our gratitude for your leadership.

On behalf of the 27-member Governors' Ethanol Coalition, it gives me great pleasure to be able to present each of you with a small token of the Coalition's gratitude for all the work you have done in support of the nation's farmers and ethanol producers.

The awards read, "In recognition for Outstanding Public Service....presented to Tom Daschle and Richard Lugarfor their extraordinary leadership in developing and introducing the renewable fuels standard, for their contribution to its approval by the U.S. Senate, and for their commitment to the nation's sustainable energy future."

I also want to add my personal thanks on behalf of the State of Nebraska for creating an environment that will dramatically increase the demand for ethanol, and cement the economic viability of these plants into the future. This single action holds immense promise for stabilizing the economies of rural America.

Let me tell you that the two men that we honored today fit the definition of profiles in courage. They were there from the beginning, despite criticism and lack of support from many. I'm pleased we were able to honor them today.

A Once in a Lifetime Opportunity

Now, we need to turn our attention to ethanol's prospects and its role in meeting the nation's fuel needs for tomorrow.

As I began to plan what I wanted to say this morning, several thoughts crossed my mind....

I remembered that on the way to your meeting last year in Aberdeen, South Dakota, I read a story on the plane from the Omaha World-Herald about Congressman Waxman and several others who had offered an amendment in committee to repeal the oxygen requirement in the reformulated gasoline program. I told you last year the amendment would not pass. It didn't. And just look at how far we have come since then:

We've gone from trying to persuade some of our friends and allies that a renewable fuel standard, banning MTBE, and eliminating the oxygen requirement made good policy sense to an historic agreement with Northeast states, environmental groups and petroleum trade associations with whom we usually disagree.

We've gone from defeating an amendment that would have wrecked the ethanol industry to landmark legislation, now in conference committee, that contains a provision that will triple the demand for ethanol to FIVE BILLION GALLONS A YEAR over the next ten years.

But until the Energy Bill is approved by both Houses of Congress and signed by President Bush, we need to remain vigilant. We need to focus like a laser beam on congressional negotiators to make certain those ethanol provisions remain intact and unchanged.

Unexpectedly, good news continues to reverberate from California. Just last week, ExxonMobil became the fourth and latest - out of the five largest - gas retailers in California to commit to accelerating the use of ethanol in that giant market. By early next year, more than 60 percent of the gasoline sold in the state will be blended with ethanol. The replacement of MTBE with ethanol in California should create a new 500 MILLION-GALLON A YEAR market. That's almost a year ahead of the scheduled MTBE phase-out.

Taken together, prospects are indeed very, very bright for the nation's ethanol industry.

From my perspective, the ethanol industry is on the threshold of a once in a lifetime opportunity. You just need to look back 50 years to when Nebraska's only grain alcohol fuel plant closed in Omaha right after World War II.

The alcohol that had been produced at that plant was used as a fuel extender and as a feedstock for synthetic rubber products used in the war effort. But after the war, the petroleum industry put alcohol fuels out of business – yet again. We must vow today not to let that happen again.

In states where ethanol is produced we have seen the effects these manufacturing plants can have on local and regional economies. Ethanol plants not only create jobs where they are desperately needed, but also increase local grain prices.

A recent study detailed the impact a typical 40 million-gallon a year plant can have on a community. Here is what that ONCE IN A LIFETIME OPPORTUNITY means:

- * Plant construction lasting a year will generate a one-time boost of 142 million dollars in local economic activity.

- * An estimated 56 million dollars will be spent every year for goods and services, most of which will be purchased locally.

- * The local economy will see its economic base expand by 110.2 million dollars.

- * More than 19.6 million dollars will be added to local household incomes.

- * Nearly 700 permanent new jobs will be created in the area.

- * About 1.2 million dollars in new tax revenues will be raised.

- * Local farmers will see an increase of 5 to 10 cents a bushel in the prices paid for corn.

By any measurement, those numbers are impressive. Those of us who toil to devise policies that create jobs in rural America know how difficult job creation and economic development can be. For us, a typical "major" new business in a small rural community may only create 25 jobs or less. Just think of the impact on a town that hasn't seen a new industry open in decades – the 700 jobs that a new ethanol plant would create can bring renewed vigor and enthusiasm to long moribund areas.

Unfortunately, our friends on the coasts – those who create public policy and those who report the news – still think of ethanol as a regional fuel that consumes more energy than it makes, and can't compete without subsidies.

How wrong they are. I would like to offer an idea to our Washington-based lawmakers: Bring a friend or reporter from the Coast along during your next break and show them the challenges of maintaining economic vitality in the Heartland. Take them down the road to a town with an ethanol plant.

Maybe then our friends might understand why making ethanol an essential element of the nation's energy picture is a "non-negotiable" issue for us.

That's where we are today: On the brink of a once in a lifetime opportunity.

But, what opportunities and challenges lie ahead for tomorrow? Once the President signs the Energy Bill, we need to keep our promises. We must make sure the renewable fuel standard is implemented smoothly and without price spikes.

We must work with our friends in California, New York and elsewhere to ensure that the transition from MTBE to ethanol is smooth.

In the long-term: We must develop other markets for ethanol and its by-products. As all ethanol producers can tell you, markets for the by-products help make the plant will profitable.

Today, more than two million cars and trucks are on the road that could be fueled with 85 percent ethanol. But we have only 300 E85

fueling sites. If ethanol is to be a widely accepted alternative fuel, we must make sure there are as many fueling sites as those selling E10.

Why would we want to use gasoline in a fuel cell? Are we not trying to reduce our dependence on petroleum products? Ethanol should be the fuel of choice to power the nation's automotive fuel cells.

As we all know, ethanol can be used as more than just a fuel additive or an alternate fuel. It's been used as an anti-freeze component in windshield wiper fluid. Even more uses need to be found.

One such promising example is blending ethanol with diesel fuel. While tests of E-Diesel are currently underway, this exciting opportunity could unlock another market.

For years, we have told anyone who would listen to us that ethanol could be produced from almost any plant or waste material. While that statement is true, we need to continue to push for the ECONOMICALLY viable production of ethanol from non-grain sources. To truly crack the transportation fuels market wide open, the production of ethanol must become cheaper. One way to do that is by finding less expensive feedstocks, and by improving production technology.

We have always promoted ethanol as the clean-burning fuel that was good for the environment. Recently, the U.S. Environmental Protection Agency found that some plants are exceeding approved emissions levels. As an industry, we must minimize the impact our plants have on the environment. Until we do this, we cannot expect any broadening of support from environmental organizations.

We cannot ignore the impact of rising ethanol use on the Highway Trust Fund. Until this issue is resolved, it will continue to be held over our head by ethanol opponents. The last thing we want is to cause one policy – increased ethanol use – to create new problems – reduced federal highway construction funds. The sooner this issue is addressed, the better for all concerned.

We need to help the American consumer understand the importance of renewable fuels and renewable energy. If every other nation can

embrace significant renewable energy policies, there is no reason why Americans can't make the same level of commitment.

Lastly, we should not lose sight of an important fact: The renewable fuel standard is intended to offset domestic production declines and stem the rising tide of imports, especially those from unstable regions of the world.

Sadly, America is in an even more dependant course than imagined a decade ago. Our reliance on imports exceeds even worst-case projections. The federal government recently reported that in 2001, the nation met more than 60 percent of its petroleum needs with imports. No one expected the 60 percent level to be reached until 2005. Who knows how much higher it will be in three years?

What I do know is that increasing ethanol use will set America on the right course – a course that insures the nation's energy security.

As I conclude my remarks this morning, never forget that the long road to reach today's once in a lifetime opportunity for the ethanol industry began at a lone service station in 1978 in Lincoln, just down the road from here.

We've all worked hard for 24 years to create this moment in time when the ethanol industry has a chance to soar beyond our dreams of a few years ago.

We must not relax. We must forge ahead on all fronts – production technology, feedstock research, public acceptance and resolution of environmental concerns. Only then can we move closer to the goal set forth in the 1992 Energy Policy Act that envisioned 10 percent of the nation's transportation fuels coming from renewable sources.

Thank you.