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Growth Energy Responds to NCGA request for reconciliation

By Sara Wyant

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In a letter responding to the National Corn Growers Association (NCGA) request for reconciliation with the Renewable Fuels Association (RFA), Growth Energy Co-Chairmen General Wesley Clark and Jeff Broin said it was “ready to meet with RFA at any time,” but that NCGA’s demand for binding arbitration may be in violation of federal anti-trust laws.

Growth Energy’s response came after NCGA President Darrin Ihnen laid down an ultimatum to the nation’s two largest ethanol industry groups last week: Get along or we will move forward without you.

“At the most critical time in the history of the ethanol industry and, perhaps, the corn industry, way too much attention and resources are being diverted to the gymnastics going on between Growth Energy and RFA. Regardless of whether either is right or wrong, it is very clear the status quo is very detrimental to the future health of the ethanol industry and the corn industry,” Ihnen wrote in a memo to state and national corn grower staff members that was obtained by *Agri-Pulse*. (See the 10-7-09 edition.) He called on the two groups to “reconcile immediately” and gave them a one-week deadline (Oct. 9) to respond.

In a three-page response, Growth Energy outlined the key challenges facing the industry and its positions on each one. “It is our hope that the entire ethanol industry and all the corn growers would unify on these positions, which we believe are in the best interests of both ethanol and corn. We hope to see NCGA’s agreement that these are the top issues we must address in our mutual interests – and we hope to see NCGA join us in advancing these issues,” the co-chairmen wrote.

“Growth Energy has not, nor will we ever, close the door on unifying the industry associations,” they continued. “We agree, in an ideal world, there would be one strong group providing effective leadership and representation for the ethanol industry. But if that is not possible, we intend to continue our advocacy for both ethanol and corn. Growth Energy and the Renewable Fuels Association can share common goals but have a difference of opinion on how to reach those goals. It is not at all uncommon for multiple groups to support a single effort. Voters have Democrats and Republicans. Farmers have the Farmers Union and the Farm Bureau. And while corn farmers have

the National Corn Growers Association, they also have the America Corn Growers Association. We have even noticed occasions when the various state corn growers associations aren't in agreement with each other or with the NCGA.”

The full text of Growth Energy's response is posted below:

Dear NCGA,

As a valued stakeholder in the ethanol industry, we wish to thank you for your interest in the affairs of Growth Energy and your continued support of ethanol, America's clean and green, homegrown solution to foreign oil. Clearly Growth Energy shares much in common with NCGA; not only does Growth Energy represent a major customer base for corn growers, but many of our member plant owners are individual corn growers.

This letter serves as Growth Energy's formal response to your letter dated October 2, in which you make many assertions we simply must dispute. In your letter, NCGA demanded binding arbitration between RFA and Growth Energy. NCGA also offered to facilitate this arbitration. Attorneys have advised us that the intention of this demand may be in violation of federal anti-trust laws. As such, agreeing to enter into binding arbitration as NCGA suggests raises serious legal concerns. Therefore, Growth Energy can not enter into such an agreement.

That said, Growth Energy is ready to meet with RFA at any time. As you may remember, the founders of Growth Energy spent countless hours and significant dollars in the summer of 2008 to unify the organizations that served the ethanol industry at that time (RFA, ACE and EPIC). When it became apparent the parties could not agree, the formation of Growth Energy commenced with the merger of EPIC and the National Ethanol Vehicle Coalition. Growth Energy immediately began its intensive effort to shape the policy and regulatory environment around renewable fuel and American agriculture.

We also wish to point out that the serious issues that the ethanol industry is facing today were present long before the existence of two ethanol-industry groups. It was precisely because of these challenges that the founders of Growth Energy first wished to unify the organizations for greater effectiveness. It was only when faced with no other choice was Growth Energy formed. Since its first day, Growth Energy has faced these complex issues head-on, adding a vigorous, effective and badly-needed voice to the debate on behalf of ethanol and corn growers. So we would like to outline those now so you can see clearly that our position – ultimately – is what is best for both the ethanol industry and for corn growers around the country.

Ethanol Blend Wall

The 10% ethanol blend wall has stifled growth in ethanol production as well as growth for corn demand. Not only is this preventing new demand but has effectively shut down approximately 1.5 billion gallons of ethanol production, or over 500 million bushels of new corn demand. The lack of available market for ethanol has also slowed development of 2nd generation cellulosic ethanol that several of our member companies are developing. Growth Energy believes that immediate action was needed on this issue, and that overwhelmingly supported a waiver to the EPA for approval of ethanol blends up to 15%. In March 2009, Growth Energy submitted its Green Jobs Waiver to EPA – the only group to formally seek an increase in the blend wall. Growth Energy has worked

with dozens of groups, including NCGA and state corn growers groups, for support for this measure, resulting more in more than 21,000 positive comments to the EPA. The waiver submission was clearly a necessary step in the pathway to higher blends.

Food vs. Fuel

As you know, before the formation of Growth Energy, the ethanol industry and corn farmers were unfairly blamed for higher food prices. It is more than fair to say that both the ethanol industry and corn growers were not effective in responding to these brutal attacks. Growth Energy's philosophy is to not let these lies go unanswered and has worked hard and spent millions to put the perpetrators of this smear campaign on the defense. Whether it is in the paid media, through advertising, or the news media, Growth Energy has responded – forcefully – to most every attack on ethanol and corn. We understand that corn farmers have customers outside the ethanol industry and can't take as strong of an approach as does Growth Energy, but we would hope you would agree that our approach is necessary.

Indirect Land Use Change

In 2007, before the creation of Growth Energy, indirect land use change language was slipped into the Energy Independence and Security Act, as part of the Renewable Fuels Standard. An untested and unscientific scheme that would unfairly punish biofuel makers and corn growers alike, ILUC is a devastating blow to the future of corn-based ethanol production – and agriculture broadly. Growth Energy led the fight to win passage in the House climate bill of a provision that would require EPA to further study and understand whether ILUC really exists before deploying ILUC penalties against ethanol. And Growth Energy led the fight against the California Air Resources Board on its efforts to penalize biofuels – and corn farmers – based on the flawed and untested ILUC theory. We would hope that NCGA would join us in the campaign against the illogical concept of ILUC. Growth Energy continues to seek a legislative remedy to deal with the far-reaching negative impact of ILUC on our industry, on farming, and on America's energy independence. It is a bizarre, flawed and illogical policy that punishes American farmers for the actions of those in other parts of the world.

VEETC

At Growth Energy we believe VEETC has been a tremendous investment for the United States. It has helped create hundreds of thousands of U.S. jobs, added tens of billions of dollars to the nation's Gross Domestic Product, produced billions in federal and state tax revenue, lowered gas prices for consumers – all while lessening our country's dangerous dependence on foreign oil. Although we realize there is strong opposition to the tax credit, we believe the current system isn't broken. It is our intention to defend it on its merits, and we believe a longer-term extension is necessary to give financial investors a more stable policy environment. Any other position is a passive acceptance of the status quo – wherein the oil and gas industries have gotten \$158 billion in tax incentives since 1968, compared to \$11.2 billion for the ethanol industry.

Tariff

Similar to the VEETC, the tariff on imported ethanol is an important regulation that helps the U.S. move toward the goal of energy independence. It is also a key policy area for investors in the industry. Our goal is a long-term extension of the tariff as a safeguard to U.S. economic and

national security. Opening our borders to foreign ethanol, made from Brazilian-subsidized sugar cane, does nothing to reduce our nation's dependence on foreign energy. It could also have a significant impact on demand for corn in the U.S.

Infrastructure

Growth Energy has led the efforts in developing the market for ethanol – both in legislative action and in regulatory affairs. Growth Energy has invested significant resources in the approval of “hanging hardware” by Underwriters Laboratory to dispense mid-level ethanol blends, and has aggressively courted petroleum retailers to invest in curb-side blender pumps. Growth Energy has helped secure introduction of legislation to support build-out of the infrastructure necessary to deliver, store and consume ethanol – including construction of pipelines, and mandates for Flex Fuel Vehicle manufacturing.

Country of Origin Labeling for Fuel

Growth Energy initiated a campaign to pass legislation mandating country of origin labeling for fuel, as is required for most other consumer products, from food to autos to electronics to clothing. This would add substantial transparency to the market by giving consumers information – and we believe will ultimately increase demand for domestic, renewable fuels like ethanol.

These are the issues that are most critical to our industries and Growth Energy's position on each. It is our hope that the entire ethanol industry and all the corn growers would unify on these positions, which we believe are in the best interests of both ethanol and corn. We hope to see NCGA's agreement that these are the top issues we must address in our mutual interests – and we hope to see NCGA join us in advancing these issues.

Growth Energy has not, nor will we ever, close the door on unifying the industry associations. We agree, in an ideal world, there would be one strong group providing effective leadership and representation for the ethanol industry. But if that is not possible, we intend to continue our advocacy for both ethanol and corn. Growth Energy and the Renewable Fuels Association can share common goals but have a difference of opinion on how to reach those goals. It is not at all uncommon for multiple groups to support a single effort. Voters have Democrats and Republicans. Farmers have the Farmers Union and the Farm Bureau. And while corn farmers have the National Corn Growers Association, they also have the America Corn Growers Association. We have even noticed occasions when the various state corn growers associations aren't in agreement with each other or with the NCGA.

Ultimately, we believe that there can never be too many voices for ethanol or for agriculture. Whether it is the arena of regulation, policy or public perception, Growth Energy is fighting for corn and for ethanol – and we have quickly established a record of achievement: fighting back on “food-v-fuel,” the Green Jobs Waiver, the CARB fight, and passage of legislation dealing with ILUC. We are proud of our record. At Growth Energy, we see corn farmers and corn organizations as our partners. We do not undercut the legislative efforts of any other ethanol or farm organization. We will continue to work with any individual or organization, including RFA and NCGA, that shares the vision of making America more energy independent through greater domestic production of ethanol and biofuels derived from crops grown by American farmers. In summary

Growth Energy cannot enter into binding arbitration as your letter requests due to legal concerns. Growth Energy welcomes any opportunity to work with any ethanol or agriculture stakeholder who shares the vision of making America more energy independent through biofuels like ethanol. Growth Energy has identified the top priorities facing our mutual industries and respectfully requests NCGA to join us in advocating for these positions.

Once again, we thank you for your support of American ethanol and the Board of Growth Energy wishes to meet with the Board of NCGA at its earliest convenience to come to understand NCGA's position on these issues that are so critical to the future of ethanol and farming.

On behalf of the Growth Energy Board of Directors

General Wesley Clark
Co-Chairman

Jeff Broin
Co-Chairman

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