

Testimony of Gerald Bachmeier

President of North Dakota Ethanol Producers Association and CEO of Red Trail Energy

To the House Agriculture Committee
In Support of Senate Bill 2230

March 11, 2021

Chairman Johnson and members of the Agriculture Committee:

My name is Gerald Bachmeier, I am the president of the North Dakota Ethanol Producers Association, which represents North Dakota's six ethanol plants, industry stakeholders and associated businesses. I am here today to support Senate Bill 2230, which is supported by the ethanol plants to enhance a critical financing assistance to additional value-added opportunities.

As introduced, Senate Bill 2230 would reserve up to \$100 million of the SIIF (Strategic Investment and Improvements Fund) to be available for loan guarantee programs managed by the Bank of North Dakota (BND). The Senate reduced the guarantee to \$75 million, but we hope that you can restore the support to \$100 million.

The Ethanol Producers Association like this bill because it can help create better lending terms and reduced credit costs for additional value-added projects and expansions. The loan guarantee fund could be another tool to support agriculture investments and economic development projects in the state.

North Dakota's ethanol industry contributes more than \$623 million annually to the state's economy and provides thousands of direct and indirect jobs. North Dakota's economy is dependent on agriculture and ethanol is an important part of that economy- the industry converts 200 million bushels of corn (40 to 60% of the state's average corn crop) into 543 million gallons of ethanol and 1.5 million tons of dried distillers grains for livestock feed. Thanks to North Dakota's innovative private sector investments and supportive state government programs, the state's ethanol production is more than five times the production from twelve years ago.

The loan guarantee authorized by SB 2230 can help provide a mechanism to enable investments in cutting edge emerging technologies. The loan guarantee can permit North Dakota businesses to commercialize projects earlier than industries from other states, with competitive financing supported with the loan guarantee.

In 2019, Ethanol Producers worked with the legislature to reestablish a Bank of North Dakota (BND) loan guarantee program that was previously specific to biofuels production facilities. You allocated \$50 million of the SIIF to support the state guarantee loan program at the Bank of North Dakota (BND). We thank you for that foresight. We hope you will consider expanding the set-aside to \$100 million.

In 2020, because of global economics and the COVID-19 downturn, fuel prices plummeted causing farmers and ethanol plants to lose money. Last spring's margins were the worst in the history of our industry, destroying the corn market and threatening to shutter North Dakota ethanol facilities. Fuel demand dropped by half during the worst of the downturn, equaling a potential annualized loss of 8 billion gallons of ethanol and 2.7 billion bushels of corn nationally.

While many biofuel plants across the country closed and North Dakota's ethanol producers and the farmers that supply our facilities faced a similar economic crisis, the State of North Dakota stepped up with the loan guarantee you approved in 2019. The Industrial Commission and BND used the loan-guarantee combined with an interest buydown program to support loans to help keep our ethanol plants operating.

The \$43 million provided through the loan guarantee is helping keep plants open, businesses solvent, and workers onsite. Ethanol plants continue to purchase and process farmers' corn instead of idling like several plants in other parts of the country. Our ethanol plants are actively repaying creditors the loans supported by the state guarantee, making these funds available to support future value-added ventures.

Besides the well-known ag product processing investments this program could support, I want to offer an example of adding value in a less traditional sense in a next generation opportunity. Ethanol plants produce 18 pounds of nearly pure carbon dioxide (CO₂) from every bushel of corn processed. The Renewable Energy Council, along with private industry, have invested in research to help commercialize emerging CO₂ capture technologies. Our industry recognizes an opportunity capture that CO₂ and use it to generate additional revenue.

At Red Trail Energy in Richardton, where I am CEO, we are working in coordination with the Energy and Environmental Research Center on a Carbon Capture and Storage project, which has the potential for tens of millions of dollars of economic impact per year. It has the promise of bringing significant impact to North Dakota and extending value to numerous industries. This project not only provides an additional revenue opportunity for use of the CO₂, but the captured carbon improves the Carbon Intensity (CI) value of the ethanol as evaluated by several West Coast markets. Ethanol produced with a lower CI score is differentiated from other ethanol and is worth more in California and Oregon due to their Low Carbon Fuel Standards.

Our facility and other North Dakota producers are investing in projects like these, to further process ethanol, corn or other agriculture products into higher-value products, help generate additional revenue for owners of Red Trail and other ethanol plants. Expanding the value-added loan guarantee program can help support investments that are good for farmers, communities, and North Dakota.

We thank you for your support of the state's ethanol industry in the past and urge your favorable consideration of SB 2230. The ethanol producers appreciate your affirmative consideration.

I will try to answer any questions you may have.