

Proponent Testimony in Support of HB2763: Providing an income tax credit for the sale and distribution of ethanol blends for motor vehicle fuels.

House Taxation Committee, March 12, 2024

Josh Roe, CEO, Kansas Corn Growers Association

Good afternoon, Chairman Smith and members of the committee, my name is Josh Roe, and I am with the Kansas Corn Growers Association (KCGA). KCGA represents more than 1,100 members on state and national levels on legislative and regulatory issues and actively works with other organizations to maximize the voice of Kansas corn producers. KCGA stands in support of this bill to provide a tax credit on sales and distribution of higher blends of ethanol.

While a vast majority of all gasoline sold today contains at least 10% ethanol, adding additional ethanol for higher blends will benefit the Kansas consumer, agricultural producers and the environment.

Since 2016, E15 (containing 15% ethanol and 85% unleaded gasoline) has been approved in all vehicles 2001 and newer and higher blends are approved for flex fuel vehicles. Currently, ethanol is \$0.88 per gallon cheaper than unleaded gasoline. Modern vehicles have higher compression engines, allowing them to efficiently operate on the higher-octane content of ethanol, with a negligible drop in fuel economy. Across Kansas, E15 is priced approximately 15 cents per gallon less than regular unleaded containing 10% ethanol. Therefore, the consumer benefits from increased ethanol blends. Even higher blends of ethanol, approved for flex fuel vehicles, that optimize these blends offer even greater savings to consumers.

Expansion of ethanol demand is vital to the future of rural Kansas. In the past five years, an average of 34% of the corn produced in Kansas has been utilized for ethanol production, approximately equal to the amount of corn that goes directly to livestock. We see expanded ethanol demand as the most effective short- and long-term solution to utilize more corn, increasing income of agricultural producers and enhancing the Kansas economy. Modern ethanol biorefineries like we are blessed to have in the state of Kansas convert the starch portion of the corn kernel into fuel, leaving behind the protein, which is used for high protein (energy) livestock feed that benefits Kansas livestock producers. The expansion of ethanol has enabled us to produce **food and fuel** from our crops.

Independent USDA, Harvard and Tufts University studies have shown that using ethanol will reduce greenhouse gas emissions by 46% compared to burning unleaded gasoline. When our partners in the petroleum industry blend ethanol at higher levels, they can reduce the aromatic content of gasoline as the source of octane. Aromatics are among the most expensive ingredients in a gallon of gasoline that produce the most greenhouse gases. Ethanol is by far the most studied gasoline additive and has shown to be cost-effective while being good for the environment.

Evidence of the benefits of higher-level blends of ethanol can easily be seen in how our partners in the petroleum and fuel retail industries have been recently responding. This past week, the national associations representing convenience stores, truck stops, and independent fuel retailers signed a joint letter to the EPA urging for increased year-round access to E15. Additionally, our partners in the petroleum industry, including the American



Petroleum Institute and companies such as Valero and CHS refining have made similar calls and are working hand in hand with the ethanol and agricultural industries for increased E15 access.

In conclusion, we believe legislation such as HB2763 that will further encourage the adoption of higher-level blends of ethanol will provide economic and environmental benefits to the state of Kansas. Thank you once again for allowing me to provide this testimony on behalf of our members and I am happy to stand for questions at the appropriate time.

Sources:

For further references on ethanol's environmental benefits, see this Government study from 2019 that evaluates the carbon footprint of ethanol, via a full lifecycle analysis that takes corn production into account:

<https://www.usda.gov/media/press-releases/2019/04/02/usda-study-shows-significant-greenhouse-gas-benefits-ethanol>

