

Testimony of Lance Gaebe
Executive Director

In Support of SB 2152
Senate Finance and Taxation Committee
January 20, 2021

Chairwoman Bell and members of the Senate Finance and Taxation Committee:

My name is Lance Gaebe, and I am the executive director of the North Dakota Ethanol Producers Association, which represents North Dakota's six ethanol plants and our industry stakeholders. I am here today to support Senate Bill 2152, which we helped advanced to extend an existing carbon dioxide sales tax incentive. The exemption of tax on the sales of carbon dioxide that will be geologically stored will provide additional value for the products our facilities produce.

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 driver in the value of corn and all crops. The industry converts 200 million bushels of corn, representing half or more of the state's average corn crop, into 550 million gallons of ethanol and 1.5 million tons of dried distillers grains for livestock feed. The North Dakota ethanol industry produces 18 pounds of nearly pure carbon dioxide for every bushel of corn processed.

Senate Bill 2152 clarifies that carbon dioxide used for secure geologic storage would not be subject to either state sales or use tax. Carbon dioxide used for enhanced oil recovery is already specifically exempt from sales and use tax. This bill would help shore up the carbon capture projects, and accompanying business models, the ethanol industry is actively formulating and building to add more value to agriculture.

We compliment the state's foresight in creating a regulatory and tax framework for post-injection monitoring and handling of geologically stored carbon dioxide. This regime strengthens the ability to store carbon and improves markets for our ethanol. Additionally, the state Renewable Energy Council, along with private industry dollars, have invested in research to help commercialize emerging carbon dioxide capture technologies.

Capturing 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 those states' Low Carbon Fuel Standards.

Our industry recognizes an opportunity to capture and store carbon dioxide to generate additional revenue and several facilities have made substantial investments in projects. Carbon dioxide is yet another product that can help generate additional revenue for the plant owners and farmers. This incentive will be good for agriculture, communities and North Dakota.

Available to answer your questions today are Jeff Zueger, Midwest AgEnergy CEO, and Gerald Bachmeier, Red Trail Energy CEO. Their companies are adding additional value to the ethanol produced by investing in carbon dioxide capture infrastructure. These gentlemen can give you more details on the projects they are working on and how this bill would be an important tool in the additional enhancement of the agriculture processing value chain.

We thank you for your support of the state's ethanol industry in the past and urge your favorable consideration of SB 2152. The state's ethanol producers appreciate your affirmative consideration.