

Testimony of Jeff Zueger
CEO, Midwest Ag Energy
Director, North Dakota Ethanol Producers Association

In Support of HB 1430
January 31, 2023

Chairman Headland and members of the House Finance and Taxation Committee,

Thank you for the opportunity to testify before you today, I am Jeff Zueger. I am the CEO of Midwest Ag Energy which owns two ethanol plants in North Dakota, Blue Flint in Underwood, and Dakota Spirit in Spiritwood. I am also a director on the North Dakota Ethanol Producers Association (NDEPA) board, which represents North Dakota's six ethanol plants, industry stakeholders and associated businesses. I am here today on behalf of NDEPA to voice support for HB 1430, which creates a sale and use tax exemption for materials used in construction, expansion, or environmental upgrade of a renewable feedstock refinery.

North Dakota's ethanol industry contributes nearly \$1.7 billion annually to the state's economy and provides thousands of direct and indirect jobs. It converts 40-60% of the state's corn crop into 550 million gallons of high-performance, cost-effective fuel (ethanol); 1.5 million tons of high-quality livestock feed (distillers grains); and 20 million gallons of corn oil which is a low carbon feedstock for renewable diesel production. Thanks to North Dakota's innovative private sector and supportive state government, the state's ethanol production capacity of 550 million gallons per year is more than five times the production a decade ago.

North Dakota's ethanol plants are continually improving in efficiency and diversification to ensure sustainability and respond to the needs of our customers. Most recently, several plants have worked to lower the carbon intensity of our fuel by implementing carbon capture and

storage projects. Sustainable aviation fuel (SAF) is a promising opportunity that would open a new market for low carbon North Dakota ethanol. Midwest AgEnergy is currently engaged in evaluating the potential to produce SAF from the low carbon ethanol we produce as will be others that employ carbon reduction technologies. The sales and use tax exemption outlined in this bill would assist in this effort.

NDEPA greatly appreciates the work done by the sponsors to bring this bill forward as these types of state incentives are important to making our state an attractive location for a SAF project. To ensure that any of the multiple forms of production of SAF including ethanol to SAF would be able to take advantage of the sales and use tax exemption, we would respectfully propose the following friendly amendments to Section 1 of the bill:

1) 1.c. – Add “renewable chemicals” to qualifying products. Bio-ethylene is a step in the ethanol to SAF process and may be the first step to getting a project sited. Additionally, future market drivers may favor renewable chemicals over renewable fuels, both of which are possible finished products from most of these types of processes.

3) 1.c. – Edit “deoxygenation” to “refining” or “processing” to allow for the multitude of technologies that exist to produce SAF and renewable fuels to qualify to advance projects in North Dakota.

4) 1.c. – Edit “no fewer than five thousand barrels” to “no fewer than three thousand barrels” to be more applicable to North Dakota’s ethanol plants and potential early commercialization projects.

We thank you for your continued support of the state’s ethanol industry and urge your support of HB 1430 with the proposed amendments to broaden the potential for expansion or renewable fuel production in our state. Thank you for your time, and I stand for any questions you may have.