Testimony of Jeff Zueger, CEO of Harvestone Low Carbon Partners

North Dakota Ethanol Producers Association

Opposition of SB 2322

January 30, 2025

Chairman Patten and members of the Senate Energy and Natural Resources committee,

I am Jeff Zueger, the CEO of Harvestone Low Carbon Partners (formally known as Midwest Ag Energy) which owns two 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. On behalf of NDEPA, I am here to oppose SB 2322.

This bill would be detrimental—and in some cases fatal—to the ethanol industry with respect to any future advancements in the carbon (CO_2) markets. North Dakota's legislature has diligently invested immense resources in research and development to advance the CO_2 markets and opportunities in ND, and it has spent 15 years creating a legal, tax, and regulatory regime to encourage investment in the CO_2 markets. This bill could unilaterally undo the very thoughtful and at times groundbreaking work you have invested in safe and permanent CO_2 storage.

North Dakota's ethanol industry contributes nearly $1.7 billion annually to the state's economy and provides thousands of direct and indirect jobs. Thanks to North Dakota's innovative private sector and supportive state government, the state's ethanol production capacity is 550 million gallons per year, which is fifty percent more than what it was a decade ago. The plants produce 2.4 million tons of CO_2 annually. Red Trail Energy in Richardton has been capturing and storing the CO_2 it produces for over two years. They were the first Class VI injections well approved by a state regulator with EPA primacy. Harvestone's Blue Flint plant has been working on its CO_2 project for the past several years and now has an operational CO_2 injection site. Tharaldson Ethanol signed onto the Summit Carbon Solutions pipeline which will be able to capture CO_2 from various Midwest ethanol plants and store it in central North Dakota.

1605 E. Capitol Avenue
PO Box 1091 • Bismarck, ND 58502
701.355.4458 • 701.223.4645 (fax) • www.ndethanol.org

There is a tremendous advantage to capturing and storing North Dakota's CO_2 emitted from the ethanol plants. There are a couple of powerful economic factors at play: (1) the ability to capture more revenue with low-carbon ethanol and (2) 45Q tax credits. The ethanol produced from these plants can be sold to developed and emerging low carbon fuels markets that are willing to pay a premium for low carbon fuel. Low carbon ethanol is often sold at a premium—around $0.20-$0.30 cents more a gallon. Assuming a $0.20 lift in every gallon ethanol, at 550 million gallons of production in the state, assuming all CO_2 from ND's ethanol plants be permanently stored, that would amount to an additional $110M (550M X $0.20) in increased annual revenue. That revenue supports North Dakota's agriculture economy. Those who permanently store carbon can also utilize the 45Q tax credit which is currently valued at $85/ton. ND ethanol plants produce 2.4 million tons CO_2 annually, the 45Q tax credit on this volume could generate $204M per year in federal tax credits taken directly to the plant's bottom line (2.4M x $85). The 45Q tax credit is available for 12 years. Also, lower carbon-intensity scores at a plant enables it to pay a higher price for corn in their area, which translates directly into a better economy for our farmers in ND. These are game-changing opportunities for ND agriculture.

SB 2322 also repeals amalgamation for CO_2 storage. NDEPA understands that amalgamation is never the first mode of action, but it is a tool that must be utilized at times to avoid property rights of the minority outweighing the property rights of the majority on project development. Again, the industry aims for 100% consent from landowners on these projects but there are instances that amalgamation is the voice of the super majority. The CCUS projects related to the ethanol industry have tremendous pore-space owner support. Our project in McLean County secured 92% of voluntary pore space owners, Gevo/Red Trail secured 96% of voluntary pore space owners, and Tharaldson Ethanol's partner, Summit Carbon Solutions, has secured 95% of voluntary pore space owners.

Addressing a carbon-constrained future is a critical public purpose. Our two major industries, agriculture and energy, cannot survive and thrive without them. Additionally, hindering projects for the ethanol industry would put the 550 million gallons of ethanol produced by home grown corn in North Dakota at a disadvantage on the national level. Thank you for your time today and on behalf of NDEPA I urge a 'Do Not Pass' on SB 2322.