



January 30, 2020

Mark Brodziski  
Acting Deputy Administrator Business Programs  
USDA Rural Development  
Rural Business-Cooperative Service  
1400 Independence Ave. SW  
Rm 5803-S STOP 3201  
Washington, DC 20250-3201  
ATTN: Docket ID RBS-20-Business-0002

Submitted Electronically

Re: Request for Information on a Higher Blends Infrastructure Incentive Program,  
85 Fed. Reg. 2699 (Jan. 16, 2020)

Dear Mr. Brodziski:

North Dakota Farmers Union (“NDFU”) appreciates the opportunity to comment in Docket ID RBS-20-Business-0002 regarding the Higher Blends Infrastructure Incentive Program (“HBIIP”). NDFU, the largest general farm organization in North Dakota, represents more than 50,000 farm and ranch families, members, and their energy and agriculture supply cooperatives. NDFU’s member developed policy positions have long supported the research, use, and development of ethanol, biodiesel, and biofuels because they are an important and vital component of the nation’s energy policy.

NDFU supports and advocates for policies that promote the expansion of ethanol use, which provides significant benefits to family farmers, who are currently facing severe economic difficulties. NDFU appreciates and strongly supports USDA’s commitment to promoting renewable fuels, including expanding incentives for infrastructure at the distribution and retail level.

USDA is exploring options to expand domestic ethanol and biodiesel availability and is seeking information on opportunities for infrastructure projects which facilitate the increased sales of higher biofuel blends (E15/B20 or higher). While NDFU fully supports expansion of E15/B20 infrastructure, we urge USDA to establish funding and incentives to help move the United States toward high-octane fuels. High-octane fuels increase fuel economy and vehicle efficiency and mid-level ethanol blends are the most cost-effective, high-octane fuels available today. Increased use of high-octane fuels significantly benefits family farmers, rural economies, environment, and the country’s energy independence.

USDA’s Request for Information seeks input on multiple questions. NDFU provides responses to Questions 1, 2, 3, 4, 5, 6, 8, and 9. Ultimately, NDFU believes HBIIP should promote

increased use and availability of mid-level ethanol blends and be tailored to serve local cooperatives.

1. *What type of assistance/incentive would encourage the increased sales/use of fuel ethanol and/or biodiesel in a way that is most cost-effective to the government?*

NDFU has deep ties to North Dakota's farmer-owned cooperatives and has worked to alleviate the regulatory and infrastructure barriers they face in offering higher-ethanol blends. Cooperatives' primary challenge is that distributors' and retailers' storage and distribution infrastructure is not typically rated for use with ethanol blends of E10 or higher. Distributors and retailers also frequently lack the tank storage capacity to offer higher blends of ethanol. USDA should continue to provide incentives for installing and upgrading storage tanks, blending pumps, software upgrades, canopies, fittings, concrete for storage tanks and dispensing islands, and other equipment to allow for the provision of higher ethanol blends, including E15 and mid-level ethanol blends.

2. *Should program funding provided to participants include: (a) Direct cost-share toward purchase of equipment, retrofitting, and enhancements; (b) higher blend biofuel sales or marketing incentives; (c) both; or (d) other?*

Program funding should include direct cost-share and marketing incentives. This funding should assist retailers in one of two ways: (1) offering higher-ethanol blends for the first time, or (2) expanding retailers' sales of biofuels, especially through mid-level ethanol blends. With those goals in mind, the funding and incentives should work toward installing, retrofitting, and upgrading equipment and promoting the sale of higher-ethanol blends.

3. *Should the program include minimum standards for equipment, such as equipment certified to dispense biofuel blends containing 25 percent ethanol (certified for use with E15) and/or B20-compatible or higher biofuel blend dispensers?*

NDFU supports a minimum standard requiring equipment be certified to dispense higher blends of ethanol and biomass-based diesel. We believe USDA should support a smooth and timely transition to higher blends today, despite potential regulatory obstacles. If not a minimum standard, USDA should at least provide tiered incentives that would promote dispensing higher ethanol blends.

4. *From your perspective, what types of efforts have proven to be effective in increasing higher biofuel blends sales?*

Mid-level ethanol blends should be a primary focus of USDA's incentives. These fuels are commonly used in Flexible Fuel Vehicles today, and can support the transition to more efficient engines that run best on high octane fuels. Because there continues to be regulatory hurdles,



USDA should provide flexibility so that parties can comply with current EPA regulations which restrict use of mid-level ethanol blends to Flexible Fuel Vehicles.

NDFU also believes USDA should urge the EPA to remove arbitrary limitations regarding the use of higher blends of ethanol in non-Flexible Fuel Vehicles.

- 5. From your perspective, if cost-sharing is required, what minimum level of cost-share (owner contribution) should be required of recipients of funding? What would you consider to be the most cost-effective level of cost-share?*

If cost-sharing is required, the minimum owner contribution should be no more than 25%. It's important that USDA design the program to minimize the cost-share required by small stations. NDFU supports lowering the cost-share requirement for small- and mid-sized retailers. The program should reflect the small- and mid-sized retailers' financial restrictions when compared to large regional and national retailers.

- 6. What steps should a potential biofuels program take to ensure equitable program participation by small- to mid-sized station owners? (That is, owners of less than 10 to less than 20 sites/stations.)*

NDFU encourages USDA to establish a separate funding pool for small- and mid-sized retailers. When compared to large retailers, applications from small- and mid-sized retailers face significant disadvantages. In addition to the limited resources referenced above, small- and mid-sized retailers have fewer dispensers, less infrastructure, and ultimately lower sales volumes. At the same time, small- and mid-sized retailers will often apply for smaller amounts of funding. Making all retailers compete for the same dollars would put small- and mid-sized stations at a significant disadvantage.

NDFU also urges USDA to award priority to cooperatives. The cooperative model allows a business to succeed in a more limited sales environment than what other retailers can tolerate. Because of this, cooperatives have a critical role to play in ensuring that businesses of all types, including fuel retailers, are present in small and remote communities. Awarding priority to cooperatives would ensure the higher-ethanol blends are available throughout rural America.

- 8. What other barriers exist that limit expansion of availability of biofuels to consumers? What specific actions could USDA take to guide a transformation and/or expansion of a nationwide biofuels-infrastructure program, in both the short- and long-term?*

There are many potential regulatory barriers that prohibit or severely limit retailers ability to upgrade, install, or expand their ethanol offerings. USDA should work with the EPA and states to address and remove artificial barriers to higher blends of ethanol. Many retailers have existing infrastructure which can be used to provide lower blends of ethanol. Research and testing of existing pipes and tanks should be done to see if the existing infrastructure can be recertified for

use with higher blends. It is essential that USDA work with its federal and state partners to break down regulatory and market barriers impacting retailers and distributors ability to supply and provide higher blends of ethanol.

9. *To what extent should infrastructure investments made today be required to accommodate fuels anticipated to be in the marketplace of tomorrow?*

Mid-level ethanol blends have an important role to play in auto manufacturers' efforts to improve engine efficiency. Mid-level ethanol blends (such as E25-E40) are cost-effective, high-octane fuels that are available today. E30 has been used with no adverse effects on vehicles. Supporting infrastructure for already existing mid-level ethanol blends will assist in the broader transition to high-octane fuels.

NDFU supports mid-level ethanol blends because they strengthen ethanol demand. Increased demand in turn improves farm income and rural economies. The infrastructure investments made through HBIIP should support and encourage the transition to mid-level ethanol blends.

### Conclusion

NDFU respectfully requests USDA implement a forward-thinking program to help increase access and use of high-octane fuels, including mid-level blends of ethanol, by providing funding and incentives to retailers and distributors. Continued expansion of ethanol infrastructure would provide significant benefits to family farmers, the economy, environment, and the country's energy independence.

Sincerely,

NORTH DAKOTA FARMERS UNION



Mark Watne  
President

