

Dave Law's interview with Dave Hallberg – transcribed from oral interview.

Law: Dave, let's just start a little bit from the beginning. Talk about a little bit of your history with the ethanol industry first of all, so we can lay that all out.

H: Sure. Well, growing up in SD, I graduated from Augustana College in Sioux Falls. And, after that, I went to the Middle East for a number of months to do some language training, right after the '73 war. I came back very, very interested in geopolitics, especially the oil issues, obviously. I went to Washington, D.C. and got my master's degree in international relations at John Hopkins School for Advancing National Studies, then, worked in the U.S. Senate and House for 4-5 years. Was involved in a lot of the legislative underpinnings of ethanol at the time, and then I left the Congress and formed the Renewable Fuels Association there in Washington in 1981, and headed that up as CEO for 5 years before then, I went out in the real world and tried to go straight. So, I've been involved in ethanol pretty much my entire career. I believe in it passionately. I've had a chance to meet great people like Orrie, Bill Janklow, Tom Daschle, Bob Dole, all the great Senators in S.D. It's been a very bipartisan effort, as you know, and it's become even more important now in recent years because auto makers are asking for higher octane gasoline and that's where ethanol's greatest value is.

Law: Well, here at Watertown we've had a 600% increase in ethanol usage in the last couple two, three years, especially after the Glacial Lakes Energy and others did a special promotion. That said, it's a tougher sell when you get out around the country. Why is that, Dave? In your estimation? You've seen the big picture out there.

H: It is a tougher sell. And, by the way, Jim Seurer at Glacial Lakes and those folks have just done a tremendous job working with Andy Wiks and educating people and proving that standard vehicles can use E30 extremely well. I really give those folks enormous credit. The leadership there in Watertown. I think we have two major challenges in terms of making the rest of the country realize why ethanol, clean octane, E30 is a superior fuel, and they should be demanding it. I think the first one is, we have problems with our own Environmental Protection Agency. We've done a lot of research over the years with them. I've known most of their people for over 30 years, and we have some real concerns about some of their connections, frankly, with the oil industry. We've done Freedom of Information Act Requests, gotten internal emails, and we've actually started some litigation, now, because there're some very major concerns as to how they've manipulated their models and actually misstated the science, here. That leads us, then, to the second challenge which is the oil industry itself. As you know, they're hugely powerful. They don't like to have their market controlled, and the gasoline market interfered with and they see ethanol as a major competitive threat. So, I think a combination of that, with the fact that it's such a complex issue. And, most people just want to go to the gas station and fill up, and get the best price they can, and not have to worry about what's in their fuel. And so, it's been easy, I think, to kind of mislead consumers about the truth of ethanol and its value.

Law: The thing we hear a lot, and I've interviewed folks in the petroleum industry, and they say that they're still not convinced it is causing harm to engines and they're not convinced that ethanol isn't a polluter, as well, out there, Dave. How do you counter those things?

H: Yah, I know what you mean. And I know when I started the RFA in the early years, and I had to testify in front of congressional committees, there were all these horror stories from the American Petroleum Institute and the oil guys about how ethanol would make the wheels fall off your car and everything else. It's really just hilarious, when you think about it, Dave, there's 260 million light duty vehicles out there on the road, and we

consume more than 140 billion gallons of gasoline a year; the largest single gasoline market in the world. That translates into, just literally, trillions of miles that have been driven on E10, which is basically the fuel throughout the entire United States, now, as a result of the Renewable Fuel Standard success. So, the idea that ethanol is a problem is just absolutely laughable. And, people just go in and put E10 into their car and drive away and never give it a second thought. So, you can take Brazil, as example, as a step beyond that. So, what Glacial Lakes is showing and what we're advocating is that you go from E10 to E30, which would be very easy to do. Brazil is doing that right now. Every car in Brazil runs on minimum E28. And, they export a lot of those cars to the United States. So, as you've said, what we've proven in Watertown, I've been driving on E30 with my standard vehicle for 10 years, now. My Cadillac SRX runs great. There's never been one issue. It simply is a misstatement of the facts, if not a lie, that the oil industry is spreading about ethanol as a problem.

Law: And yet the EPA says that E30 is illegal because it doesn't meet the Clean Air Act directives to reduce benzene.

H: Yeh, that's the part that's just so shocking. And it's just the exact opposite, and it's just downright illegal itself. You know, I think Orrie's talked to you about some of the history. But, back in 1990, the Clean Air Amendment, when Bush 41 was President. We worked very closely with his White House and his counsel, C. Boyden Gray, at the time. Tom Daschle and Bob Dole introduced bipartisan amendment which is now called the Clean Octane Amendment, and is still part of the law. At the same time, congress was banning lead, because of its horrific health effects. They were very concerned about this benzene based octane that you know about, which they call aromatics but most people refer to as BTX, for Benzene Toulene, Xylene. The octane in gasoline is the most important property of the fuel for auto makers to design their engines to. They've got to have high enough octane range to prevent knock. And so, what the refiners have done, petroleum refiners, they make this benzene based BTX out of crude oil, is push to get that as high as they can, because they make more money off it. And today, every gallon of gasoline in the United States, even though it contains 10% ethanol, which helps for octane, also contains 25-30% of this BTX. The stuff that's the most costly part of the gasoline, the most toxic, it's the most carbonated intensive. Ethanol is far superior to it, and if we didn't have EPA and the oil industry blocking us, we'd be at E30 today. So, what we are finding out, and working with Doug Sombke, and South Dakota Farmers Union, and others, we think ultimately we are going to have to go back into court, because the law's still in place, Congress wants it to be enforced, and force the people at EPA to do their jobs.

Law: So, that brings us to the South Dakota Corn Growers who will be meeting this month, and debating again this very topic. And, it doesn't sound like all farmers are on board.

H: Well, you know, I guess not. It's again such a complex, esoteric issue, and there are so many other things that are on the plate these days. The burdens and stress put on the farm sector. But, I will say this, South Dakota, for a small state, relatively small state in the scheme of things, has been just the key leader in ethanol, thanks to people like Orrie and Glacial Lakes and others. This is a critically important issue, because right now in front of the EPA, President Trump had directed the EPA to go back and re-do this greenhouse gas rule that Obama had put forth. There's going to be a final rule on that issue coming out in April, May, June of this year. And what EPA finally did was request comment on whether and how they could increase gasoline octane readings, and they used the phrase, "Consistent with Title 2 of the Clean Air Act". Well, that's critically important because Title 2 is where this provision says, "reduce benzene aromatics to the greatest extent possible"; that's where it's contained. So, the leadership coming out of Watertown, Glacial Lakes, with the

South Dakota Corn Growers can do, when they got out in front of the renewable fuel standard back in 2000, it's hard to emphasize just how important that leadership is. And, the demonstration effect of how you can use E30 safely and efficiently and cost effectively. So, I think what's going to happen in Sioux Falls on January 19, is far, far, more important than Troy Knecht and some of these guys realized, because they are leaders. They are really viewed with respect. And, what they do there can make a huge difference nationally.

Law: What do you suspect will happen at that meeting if you were to look ahead a little bit, Dave?

H: Well, I'm not sure. In fact, I'd like to be there but I think I may have to be out of the country. But, I was at the meeting last year. I thought it was handled extremely well by Troy and his board. A lot of complicated issues, a lot of passion; but I think everybody behaved with respect and dignity. I hope this year the debate is expanded on a little bit more. We've learned more in the last year. I've not talked to Troy or his folks, so I really don't have any inside, baseball knowledge, but I certainly think it's useful to have the debate, and I hope it turns out well.

Law: What would you like to see come out of the debate, anyway?

H: Well, I would say I was very impressed with Governor Noem's State of the State Address the other day. She came out and made everyone aware of the fact that she was going to have her state vehicles use E30. It's the same thing Governor Ricketts is doing in Nebraska. It's a great move. I think it's symbolic of the kind of leadership that can and should come out of South Dakota. So, hopefully, the resolution process and the conversation will lead us to the point where people will realize that it's EPA that is breaking the law, not those of us who put E30 in our vehicles.

Law: I know Orrie is asking that Corn Growers show up for this meeting. How important is it to be there?

H: Well, I think it's critically important. I mean, I remember when I was a legislative aid in the Senate and the House in Washington. One of my areas, my portfolio was agriculture. I remember, at the time, we had very low commodity prices, losing farmers, trying to export our way out of it, which never happened. That's one of the reasons why bosses, Congressman Berdell from Iowa, Jim Abner of South Dakota, McGovern and others I worked with, thought ethanol was so important. When you think about what the first RFS and the second RFS, which Bush 43 signed into law, what they did for the farm economy, the fact that E10 ended up increasing demands for corn by almost 5 billion bushels, and now look at where we're at, given the productivity of American farmers. With so much corn available, the surplus is bringing prices back below the cost of production again. We need E30 more than ever. And I think there is nobody who would benefit more than corn farmers other than perhaps urban Americans who have to breathe this polluted air because of the benzene based aromatics in gasoline.

Law: What would be a final message you'd want to leave us with? I guess you did already wrap it up there, but is there anything else you'd like to share?

H: I'd just say that South Dakota has been the point of the spear, the leader on this for decades. And I think now we are at another critical juncture, where some leadership, some symbolic inspiration, if you will, can help bring us to the tipping point and bring us to the next level and move to E30. So, hopefully, it will be a great meeting. We'll will come together, and South Dakota will once again take the lead on making ethanol a major, major part of the U.S. gas pool