



701 8th Street, NW, Suite 450, Washington, D.C. 20001

PHONE 202.545.4000 FAX 202.545.4001

GrowthEnergy.org

April 16, 2020

Federal Reserve System
Board of Governors
1925 Constitution Avenue NW
Washington, DC 20006

Dear Chairman Powell:

Growth Energy appreciates the efforts being made at the Department of Treasury, Federal Reserve, and Congress in establishing the Main Street New Loan Facility (MSNLF) and the Main Street Expanded Loan Facility (Facility), programs intended to facilitate lending to small- and medium-sized businesses in response to the Coronavirus' impact on the economy. These programs could inject much-needed financial assistance to U.S. ethanol companies on the verge of collapse. But the earnings before interest, taxes, depreciation, and amortization (EBITDA) condition on loan size would make some ethanol businesses ineligible, leaving them without any financial support.

Growth Energy is the world's largest association of biofuel producers, representing over 100 U.S. plants that annually produce more than 8-billion gallons of renewable fuel and nearly as many innovative businesses associated in the ethanol supply chain. Together, we work to bring American consumers better choices at the fuel pump, grow America's economy, and improve the environment for future generations. In 2019, the industry supported 350,000 U.S. jobs and contributed 43 billion dollars to the nation's Gross Domestic Product.

However, shelter-in-place orders due to the Coronavirus pandemic has caused demand shocks in the biofuels industry, forcing plants to significantly cut production. According to the U.S. Energy Information Administration, gasoline demand for the months of April and May fell by 50 percent. Ethanol production also dropped 7.3 billion gallons (nearly half of the production capacity) over the last four weeks alone. Plentiful supply with low demand is pushing prices to historic lows, devastating both ethanol plants and the rural communities they support.

Provide Flexibility to Loan Minimums

The Facility and MSNLF programs provide a measure of relief to some small- and medium-sized businesses, but several of our companies would not be able to access this support. Most companies with more than 500 employees are not eligible for the Small Business Administration's Paycheck Protection Program, so larger businesses are looking towards the Federal Reserve for assistance.

However, the MSNLF sets the following restrictions on loan amounts:

“Maximum loan size that is the lesser of (i) \$25 million or (ii) an amount that, when added to the Eligible Borrower’s existing outstanding and committed but undrawn debt, does not exceed four times the Eligible Borrower’s 2019 EBITDA.”

The Facility sets similar limits:

“Maximum loan size that is the lesser of (i) \$150 million, (ii) 30% of the Eligible Borrower’s existing outstanding and committed but undrawn bank debt, or (iii) an amount that, when added to the Eligible Borrower’s existing outstanding and committed but undrawn debt, does not exceed six times the Eligible Borrower’s 2019 EBITDA.”

Due to various factors over the past few years, including administrative decisions by the Environmental Protection Agency and the ongoing trade dispute with China, ethanol companies were not profitable in 2019. However, this does not accurately reflect the financial health of these companies. As written, the EBITDA provisions would prevent several ethanol companies from accessing this critical financial support.

We ask that the Federal Reserve and Treasury Department amend the guidance and strike the provision establishing the borrower’s 2019 EBITDA as one of the lesser amounts in determining the maximum size of the loan. Instead, include alternative financial assessments that provide a more accurate valuation of a company’s past performance. We are willing to work with you in establishing this alternative financial assessment and hope you will reach out with any questions.

Clarification on Annual Revenues

We also seek clarification as to whether the Facility and MSNLF requirement that eligible borrowers remain below \$2.5 billion in 2019 annual revenues refers to net receipts or gross receipts. Due to the commodity nature of the ethanol business as high volume with low margins, these companies should not be precluded from accessing the lending programs if gross revenues exceed \$2.5 billion.

During these unprecedented times, we hope you take into account the critical need for supporting America’s heartland. Thank you for considering our request.

Sincerely,



Emily Skor
CEO, Growth Energy