March 31, 2021

The Honorable Tom Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250

The Honorable Katherine Tai
Ambassador
Office of the U.S. Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Secretary Vilsack and Ambassador Tai,

Congratulations on both of your recent Senate confirmations. Our organizations write you to encourage the strengthening of our agricultural and biofuel trading relationship with Mexico, a consistent and robust economic partner for U.S. farmers and biofuel producers. Under President Biden's administration, we believe there is significant opportunity to reengage Mexico's leadership and promote cooperative trade agendas that benefit both countries.

The United States is home to 210 ethanol plants across 27 states, which can produce more than 17 billion gallons of low-carbon, renewable liquid fuel while supporting 350,000 American jobs along the way. Ethanol is also the second-largest customer to 300,000 U.S. corn growers with roughly one-third of the field corn crop used to produce fuel ethanol each year. The United States is well-positioned to fulfill renewable fuel market needs within Mexico and adhere to the spirit of the free trade tenets agreed upon in the United States-Mexico-Canada Agreement (USMCA).

However, we are concerned that Mexico's leadership is stalling important renewable fuel reforms with deadlines fast approaching. A few years ago, Mexico had committed to reforming its fuel market and began taking steps to implement measures that would allow blends of 10% ethanol nationwide. Recently, it appears Mexico is reversing course on these fuel reforms and has until May 27, 2021 to make a formal decision. If Mexican leadership decides to revert back to a 5.8% blend of ethanol, this will essentially close off the market to U.S. ethanol because our fuel producers are configured to produce blends with E10 and beyond.

As part of USMCA, the three North American countries agreed to work together to improve air quality and recognize the importance of trade and investment in environmental goods, including clean technologies. Ethanol provides Mexico with a clean, affordable option towards meeting these trilateral agreements and reducing North America's carbon footprint. A recent January 2021 study by Environmental Health and Engineering, Inc.[1] found that corn-based ethanol lowers gasoline's greenhouse gas (GHG) emissions by 46%. With this in mind, expanded ethanol use in Mexico serves as a key component for our region's carbon mitigation strategy.

Mexico still relies on methyl tert-butyl ether (MTBE) as a fuel oxygenate. This substance is a known carcinogen and banned in the U.S. due to its propensity to easily dissolve into water, creating potential to contaminate ground and surface water. MTBE has been found in drinking water sources due to leaking storage tanks and pipelines. Ethanol provides a much cleaner alternative as an oxygenate and octane booster for gasoline.

[1] January 2021 (https://iopscience.iop.org/article/10.1088/1748-9326/abde08/pdf)

In addition to the environmental advantages, blending gasoline with ethanol also has an economic advantage over gasoline blended with MTBE and provides Mexico's state-owned petroleum company Pemex with an incentive to use ethanol. In a 2019 economic study conducted by Flint Hills Resources at the request of the Mexican Association for Sustainable Mobility, Flint Hills developed a model which demonstrates the pricing advantages for a blendstock with 10% ethanol over a separate blendstock with 15% MTBE. On an eight-year average between 2011 and 2018**, E10 held a 5.9 to 6.5 U.S. cents per gallon advantage over 15% MTBE**.

This study was followed up by an in-depth analysis by Turner, Mason and Company. Their analysis stated, "ethanol has been consistently priced below MTBE… and for the last ten years [2010-2019], this discount has averaged 62 center per gallon." (U.S. dollars.) Turner, Mason and Company went on to confirm that while the cost savings of producing E10 is substantial, there is also great value to the improved performance with superior octane benefits and improved environmental benefits when choosing ethanol over MTBE. This evidence provides significant cost-savings for Pemex, in addition to lower gasoline prices for Mexican consumers and cleaner air for Mexican citizens.

Creating market opportunities with room for ethanol to grow is a strong example of a win-win policy that would benefit both Mexico and the United States. Our domestic producers are eager to compete globally with high-quality, low-cost renewable fuels that provide significant GHG emission reductions and clean air and water benefits. Having a fungible specification across North America would also have significant economic, supply, and environmental advantages. Mexican leadership can achieve increased cooperation with its North American counterparts and demonstrate its willingness to address commitments made under USMCA.

With recent developments in energy reforms and the upcoming May 27 deadline to decide on E10 use within Mexico, we urge your trade team to engage their Mexican counterparts and encourage their leadership to allow E10 nationwide as soon as possible. Your office's input would be greatly appreciated, and we hope you will encourage Mexico to coordinate with the United States with respect to fuel blending decisions.

Thank you for your time and please do not hesitate to reach out with any questions.

Sincerely,

Emily Skor
CEO, Growth Energy

Geoff Cooper
CEO and President, Renewable Fuels Association

Ryan LeGrand
President and CEO, U.S. Grains Council

Jon Doggett
CEO, National Corn Growers Association