

**Testimony before the Surface Transportation Board (STB)
“Trends and Strategies for Growth in the Freight Rail Industry”**

**Chris Bliley, Senior Vice President of Regulatory Affairs
Growth Energy**

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Chairman Primus and members of the Board:

Thank you for the opportunity to testify today. Given rail’s importance to the biofuels industry, American agriculture, and to our nation’s fuel supply, we are very appreciative that you are holding this hearing to discuss the importance of growth in the freight rail industry. My name is Chris Bliley, I’m the Senior Vice President of Regulatory Affairs for Growth Energy – the nation’s largest association of biofuel producers.

Growth Energy represents nearly 60 percent of all U.S. ethanol production, including 98 biorefineries, 121 innovative businesses that support biofuels production and the supply chain, and tens of thousands of ethanol supporters around the country. The United States is home to 210 biorefineries across 27 states that have the capacity to produce more than 18 billion gallons of low-carbon, renewable ethanol. Today, ethanol makes up over 10 percent of our nation’s fuel supply, and we’re poised to do much more with the expanded use of higher ethanol blends like E15, a fifteen percent ethanol fuel blend as well as new and innovative markets like sustainable aviation fuel (SAF).

Plant-based ethanol is an incredible American success story, driving significant economic growth and investment in sustainable renewable energy, while supporting more than 350,000 jobs

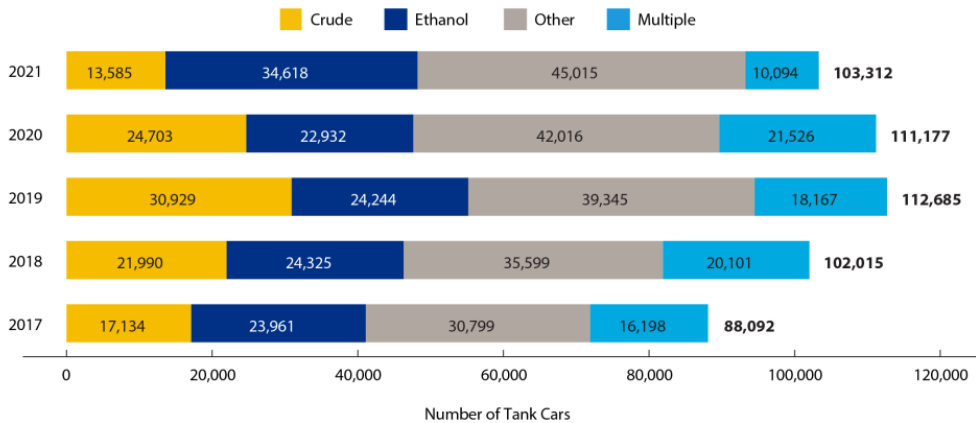
nationwide and contributing to a strong rural economy. We are committed to bringing environmentally friendly biofuels like ethanol into our nation's transportation fuel supply, helping our country diversify our energy portfolio, growing more clean energy jobs, sustaining family farms and rural communities, and driving down fuel costs at the pump for consumers.

To deliver low-cost, low-carbon fuel to America drivers, our industry is dependent on timely and efficient rail service, with nearly 70 percent of our production moved by rail. In fact, ethanol represents the largest hazmat commodity shipped by rail, with an annual average of more than 400,000 carloads from 2019 through 2022 and a fleet of more than 34,000 cars at the end of 2021.¹² Additionally, our industry ships more than 200,000 cars per year of distillers dried grains (DDGS) and more than 10,000 cars of corn oil. Rail service is vital to move ethanol and related coproducts from our biorefineries, located primarily in the Midwest, to American motorists across the country.

¹ U.S. Department of Agriculture Annual U.S. Rail Carloads of Ethanol: [Annual U.S Rail Carloads of Ethanol | Open Ag Transport Data \(usda.gov\)](#)

² U.S. Department of Transportation: "Fleet Composition of Rail Tank Cars Carrying Flammable Liquids 2022" [Fleet Composition of Rail Tank Cars Carrying Flammable Liquids: 2022 Report \(bts.gov\)](#)

Figure 3 Rail Tank Cars by Type of Flammable Liquid Carried: 2017–2021

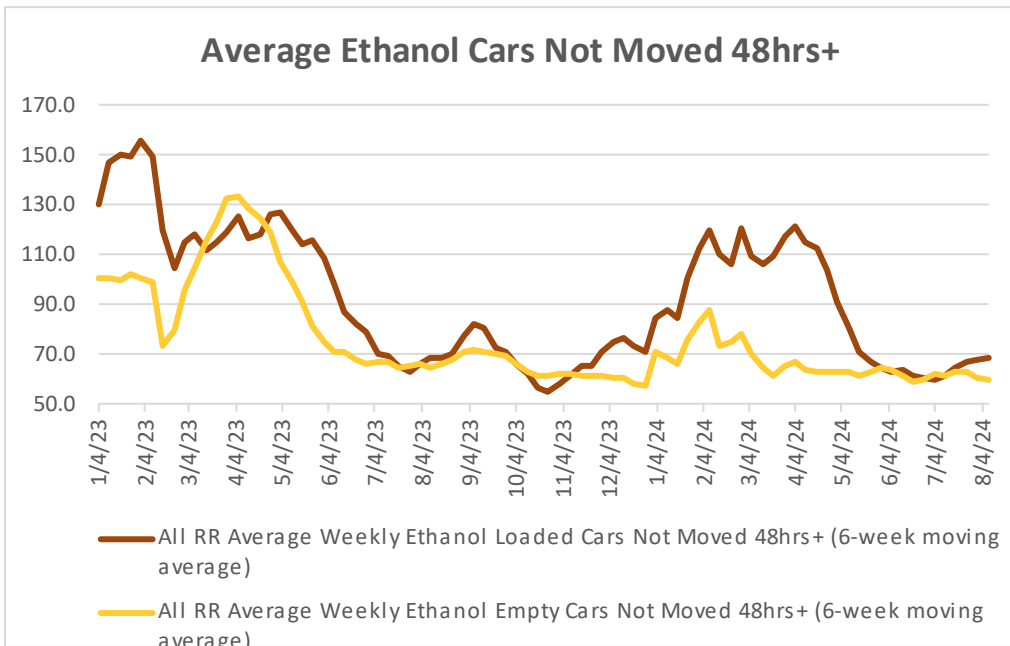
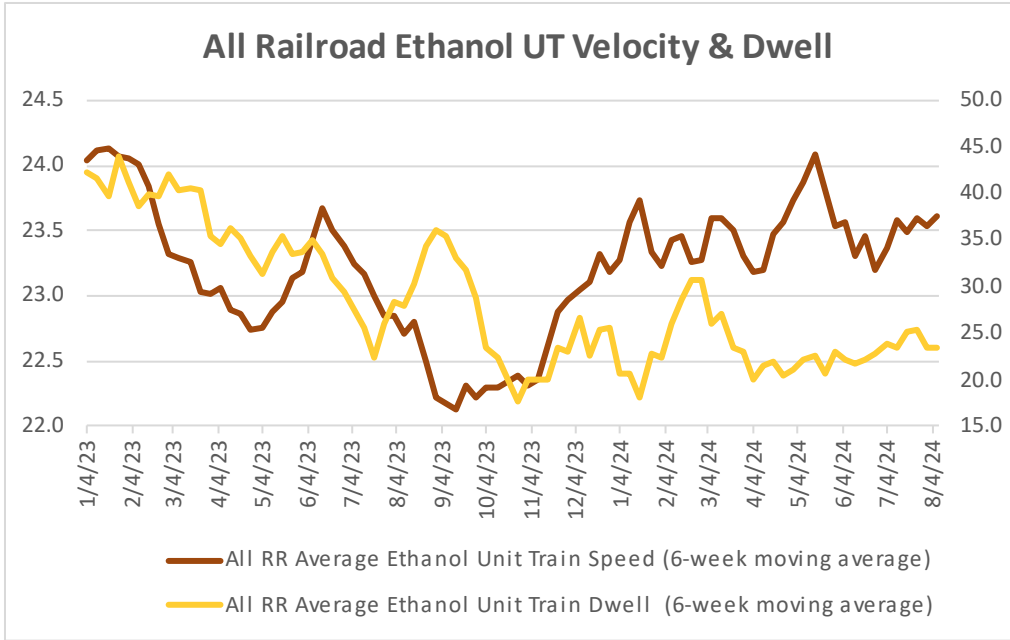


SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics. Special analysis based on data provided by the Association of American Railroads: UMLER® and TRAIN II® rail tank car and annualized rail tank car movements, 2013–2021, accessed June, 2022.

In the past several years, with drivers facing high fuel prices and ethanol consistently trading significantly less than unfinished gasoline, at perhaps no other time has the need for timely and efficient ethanol rail service been more important. Unfortunately, just two years ago, our members saw the most disrupted and inconsistent rail service since the weather-related service disruptions of the “Polar Vortex” in 2014. Data posted by the Surface Transportation Board (STB) shows that, in 2022, average dwell time for ethanol unit trains increased, average rail speed decreased, and average number of ethanol-loaded cars not moved increased – all negative trends that contribute to added costs and other negative consequences throughout the entire biofuel supply chain.³

Source for charts below: The Surface Transportation Board (STB)

³ Surface Transportation Board (STB) Rail Service Data: <https://www.stb.gov/reports-data/rail-service-data/>



Beyond the aggregated dwell time data, our members have cited specific examples of the disruptions to their rail shipments and at times on their ethanol production, which we have previously presented to the board:

- Across the industry, biorefineries, whose ethanol storage was at capacity, had to curtail production while waiting on delayed empty cars to arrive.
- Destination fuel terminals ran out of ethanol waiting on cars to arrive, resulting in retail customers unable to blend fuel for their driver customers.

While we understand that a variety of factors contribute to these rail disruptions, and that some of them may be outside of railroad control, our industry simply cannot function effectively, efficiently, or reliably for our customers without reliable rail transportation. Aside from a few days of planned maintenance, our plants run 24 hours a day, 365 days a year, and they run an extremely efficient production process for a commodity that is in constant demand. Not showing up with ethanol to a fuel blending facility means that a blender or retailer cannot make finished fuel and, as a result, that American consumers could drive up to a station with no fuel to pump into their vehicle. Our plants and marketers are forced to adjust and plan as best they can, but if one train takes nearly two weeks and the next takes two days, it makes advance planning and even real-time troubleshooting all but impossible.

Given that inconsistency, many in our industry have sought to add additional rail cars, if available, at considerable cost. One day of lost service in a month (1/30), would require the addition of 1,200 tank cars and 550 hoppers to replace that lost volume of ethanol and distiller dried grains with solubles (DDGS) (1/30th of an estimated 36,000 tank cars and related daily contribution of hopper cars for 200,000 loads of DDGS). To purchase 1,200 railcars at a conservative cost estimate of \$170,000 per car—if they could even be found in a timely manner— would require our industry to spend \$180 million for rail cars that, in normal operating circumstances, will sit idle as unutilized assets.

Unfortunately, there is little to no recourse for our members and other shippers if a railroad fails to meet its obligations. Rail rates have continued to increase, and service continues to be inconsistent. A report last year for the Rail Customer Coalition showed that from 2004 to 2019, rail rates increased by 43%, while during the same period rail costs increased only 8%.⁴

Even beyond increasing rail rates, all disputes about service are heavily tilted in favor of railroads. If our plants do not meet the railroads' needs in a timely manner, a railroad can and will assess demurrage fees. Conversely, if power or labor from the railroad are delayed, our plants do not have the same ability to assess fees or receive any sort of discount or other remedy.

When demurrage and accessorial fees are imposed, there is almost always a presumption that our industry is guilty until proven innocent, regardless of the circumstances. The burden of proof and the requirement to dispute falls on our plants to show that they were not at fault, and they are required to request railroad permission to rescind the charges. Similarly, rail rate cases take years to adjudicate at considerable cost, with the burden placed on shippers to prove that rail rates are unreasonable and that no other competitive options exist. Moreover, contested rates are not held or adjusted during adjudication.

Looking ahead as an industry, we see tremendous potential for use of higher ethanol blends such as E15, E85, and midlevel ethanol blends like E30. We also see long-term opportunities to

⁴ Economic Analysis – Consolidation and Increasing Freight Rail Rates (Rail Customer Coalition): [New Report Finds Rail Customers Paying a Steep Price for Consolidation and Dwindling Competition - Rail Customer Coalition \(freightrailreform.com\)](https://freightrailreform.com)

decarbonize the aviation sector through use of sustainable aviation fuel (SAF). These growth opportunities for biofuels and American agriculture can also offer tremendous growth opportunities for freight rail as well. However, that is all dependent on timely and efficient rail service being able to deliver significant increases in rail traffic. Taking E15 just an illustrative example, if we moved nationally from our current E10 fuel to E15, we would use nearly 7 billion additional gallons of ethanol and nearly 2.5 billion additional bushels of corn – essentially a 50 percent increase in our feedstock and produced ethanol. Taking recent trends in car-load data into consideration, we would need the ability to move an additional 200,000 carloads of ethanol beyond what our industry is shipping today, and that’s a relatively small step for our industry. Thinking about midlevel ethanol blends like E30 and SAF, the needs and potential for rail growth would be even more significant.

We appreciate the Board’s attention to potential growth in freight rail and their continued work to address rail service issues. We stand ready to work with the Board, the rail industry, and other stakeholders to help address these issues and to discussing significant further opportunities for growth across these collective industries. Thank you for your consideration.