



March 8, 2024

Representative Adam Smith, Chairman
Representative Brian Bergkamp, Vice-Chair
Representative Tom Sawyer, Ranking Member
House Committee on Taxation
Kansas State Capitol
300 SW 10th Street
Topeka, Kansas 66612

RE: Proponent Testimony on HB 2763, providing an income tax credit for the sale and distribution of ethanol blends for motor vehicle fuels.

Chairman Smith, Vice-Chair Bergkamp, Ranking Member Sawyer and Members of the Committee,

My name is Derek Peine, and I am the CEO of Western Plains Energy, LLC, which is an ethanol production facility located in Northwest Kansas. Over the last 5 years, we have supported Kansas agriculture by purchasing roughly \$400 million worth of grain from more than 300 Kansas farmers and commercial grain companies in Kansas. Each year we convert more than 17 million bushels of regionally sourced corn and grain sorghum into more than 50 million gallons of sustainably produced ethanol and 350,000 tons of regionally marketed high quality animal feed called distiller grains.

Today, 98 percent of all gasoline sold in the U.S. contains at least 10 percent ethanol. E15 (15 percent ethanol) is now available at more than 3,400 retail locations in 31 states, and higher ethanol blends such as E85 are available at nearly 6,000 sites around the country. In Kansas, there are 71 retail locations selling E15 and 90 locations selling E85. E15 is approved for all 2001 and newer vehicles, more than 96 percent of all light duty vehicles on the road today. Consumers have now driven more than 100 billion miles on E15, and retailers have conducted millions of transactions with this fuel. There have been no adverse reports of fuel quality experienced with E15 since first being approved 13 years ago.

I appreciate the opportunity to support House Bill 2763, which would provide an important tax credit for ethanol fuel blends from 15 to 85 percent. Specifically, this legislation would provide fuel retailers with a non-refundable 5 cent per tax credit for every gallon of higher ethanol fuel blends sold. This credit is important as retailers in Kansas continue to build out the market and invest in additional infrastructure to offer these higher blends of ethanol.

Ethanol blends such as E15 and E85 also give consumers more affordable choices at the pump. During the summer of 2023, Kansans saved an average of 11 cents per gallon on E15 compared to E10. Providing a 5 cent per gallon tax credit will further incentivize fuel retailers to offer higher ethanol blends, ultimately helping fellow Kansans save on fuel costs without any impact to the state's fuel tax revenue.

Kansas is currently eighth in the nation in ethanol production, and the state's overall fuel ethanol blend rate is only 9.75 percent, which is well below the national average of 10.38 percent. Incentivizing



retailers to offer higher ethanol blends will help drive Kansas' blending rate up to the national average. This increase in the amount of ethanol purchased would equate to an estimated 6.5 percent increase in bushels of corn and sorghum purchased from Kansas farmers and an additional 1 million pounds of high-quality distiller grains for Kansas livestock farmers.

This proposed retail tax credit would "would have a positive impact on demand for Kansas grown corn and sorghum and allow Kansas fuel consumers more access to lower cost E15 blend fuel. However, it will have a significant impact on fuel consumers in Kansas. Several other Midwestern states, including Nebraska, have embraced higher blends of ethanol and successfully implemented similar tax incentives. As more states consider incentivizing higher blends, I believe that it is important that Kansas drivers can save money by purchasing Kansas made fuel from Kansas grown corn and sorghum.

With Best Regards,

A handwritten signature in blue ink, appearing to read 'Derek Peine', is written over a horizontal line.

Derek Peine
Chief Executive Officer
Western Plains Energy, LLC