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1-24-25

SOUTH DAKOTA
ETHANOL

2025: The South Dakota Challenge

1. **Vehicles are using less fuel:** Softening demand for SD ethanol resulting from increasing fuel efficiency + growth of electric vehicles.

2. **Farmers are producing more:** Increasing corn yields from SD producers.

3. **Prices**: commodity prices are down; and input costs are up.

4. **The problem:** Falling demand (#1), plus increasing corn supply (#2), and decreased profitability growing corn (#3), means we need to continue to find new markets to increase demand.

5. **The opportunity - SAF:** For long term viability, success, and/or to remain competitive with other states, the SD ethanol industry needs access to the sustainable aviation fuel (SAF) market.

   SAF market estimate: <u>400 million gallons of SD ethanol</u>.

6. **Industry challenge: a lower carbon score.** To access the SAF market and other emerging markets, ethanol needs to dramatically lower its carbon score.

7. **Geology challenge:** Because of our geology, the most realistic/practical way in South Dakota to lower the ethanol carbon score is to connect to a carbon capture pipeline.

8. **Impact of no CO2 pipeline:** SD Ethanol plants will not have access to the same markets as other ethanol plants and/or may have a less valuable product. That means SD Ethanol plants won't be able to pay South Dakota producers as much for corn (lower demand = lower prices).

GEOLOGY UNLOCKS OPPORTUNTY