S&P Global
Market Intelligence

Green Plains Inc. NasdaqGS:GPRE

Earnings Call

Wednesday, February 7, 2024 2:00 PM GMT

CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	8

Call Participants

EXECUTIVES

James E. Stark
Chief Financial Officer

Phil Boggs
Executive Vice President of Investor Relations

Todd A. Becker
President, CEO & Director

ANALYSTS

Adam Samuelson
Goldman Sachs Group, Inc., Research Division

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

Craig Irwin
ROTH MKM Partners, LLC, Research Division

Eric Stine
Craig-Hallum Capital Group LLC, Research Division

Jordan Levy
Truist Securities, Inc., Research Division

Kristen Owen
Oppenheimer & Co. Inc., Research Division

Salvator Tiano
BofA Securities, Research Division

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Operator

Good morning, and welcome to the Green Plains Inc. Fourth Quarter and Full Year 2023 Earnings Conference Call. Following the company's prepared remarks, instructions will be provided for Q&A. [Operator Instructions] I will now turn the call over to your host, Phil Boggs, Executive Vice President, Investor Relations. Mr. Boggs, please go ahead.

Phil Boggs
Executive Vice President of Investor Relations

Thank you, and good morning, everyone. Welcome to Green Plains Inc. Fourth Quarter and Full Year 2023 Earnings Call. Participants on today's call are Todd Becker, President and Chief Executive Officer; Jim Stark, Chief Financial Officer; and several other members of Green Plains senior leadership team. There is a slide presentation available, and you can find it on the Investor page under the Events and Presentations link on our website.

During this call, we will be making forward-looking statements, which are predictions, projections or other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ because of factors discussed in today's press release and the comments made during this conference call and in the Risk Factors section of our Form 10-K, Form 10-Q and other reports and filings with the Securities and Exchange Commission. We do not undertake any duty to update any forward-looking statement.

Now I'd like to turn the call over to Todd Becker.

Todd A. Becker
President, CEO & Director

Thanks, Phil, and good morning, everyone, and thanks for joining our call today. We reported a solid quarter this morning with $44.7 million of EBITDA and a plant utilization rate of 95%. In addition, this was our highest quarter yet of ultra-high protein production, along with our highest ever corn oil yields, but we still have further to go and more to unlock. Our team continues to execute on maximizing the opportunity across our entire platform, and we believe there is additional upside on our portfolio of assets that we aim to achieve as we move through 2024.

This quarter and the start of 2024 had many events that has led us to this point where our structure has been simplified, and we are ready to bear the fruits of our labor on the path we laid out a few years ago and feel highly confident in our ability to achieve to goals. Before I dive into the quarter, we also announced a strategic review this morning. As you can see in the 8-K we filed, we have entered in a cooperation agreement with Ancora. Our Board believes our company is undervalued and we will embark on a strategic review to best determine how to maximize our value for all shareholders as we aim to achieve new milestones over the coming months, which I will talk about later in the call.

These are, as you know, far-reaching processes, and we'll explore all paths to value realization. We will have nothing further to announce or discuss regarding the strategic review at this time. Moving on to the results. We were largely open and unhedged in the fourth quarter, which started out quite strong as we talked about, and then rapidly tailed off as the quarter progressed. Market fundamentals remained weak in the start of the year with higher stocks numbers and production has remained stubbornly high with the exception of some weather-related slowdowns, although this cold snap tempered this weakness, it may have been the recipe we needed to change the 2024 outlook back to a more normal environment and more positive.

As we get into spring maintenance and summer driving season, we anticipate that the base margin could strengthen as it has historically with our strong run rates and simplified structure, we are well positioned for this opportunity.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Our team has done a great job bringing consistency back to our operating metrics, but we still have opportunities to further improve efficiencies and bring our operating cost per gallon down as inflation is tempering across our plant stack. Plants across the industry are getting older, which we believe -- and we've been articulating for the last year. More and more, we believe, others in the industry have experienced this as run rate seem unable to sustain the peak at 1.1 million barrels per day. We believe this represents a great opportunity to drive additional margin to the bottom line. We are really excited for our protein production in 2024, and the fourth quarter was another good quarter of production with 66,000 tons of sales and a bit of a build on inventory because we produced 60% protein at a commercial scale in Wood River, and we have now just started to ship some early adopters and some volumes. I will get more into that after Jim's comments, but great progress is being made.

Looking forward, we are excited for the opportunity to add these volumes with our JV -- add to these volumes with our JV at Tharaldson Ethanol beginning commissioning as we speak and set to start protein production in the next couple of months. This will be the world's largest Fluid Quip MSC system, and we are eager to apply our learnings from prior startups to this partnership. The conversion of 735 million gallons of capacity, including the Tharaldson JV to ultra-high protein has set us up well to service a global demand base, whose demands have not waned or wavered one bit.

Our renewable corn oil production saw another impressive quarter with the highest yield for our platform yet. We benefited from pricing some of our fourth quarter early before veg oil prices came under further pressure as well. Startups have been slower than expected from the new R&D capacity coming online, but we still expect them to start or ramp production over the next quarter or 2. Liquidity in the fourth quarter improved again as our platform ran consistently, and we are able to capture the available margins.

In early January, we completed the acquisition of Green Plains Partners. In all, we issued 4.7 million shares of Green Plains stock and $29 million in cash, which included the $2 per unit in cash plus the unpaid distribution in exchange for the outstanding public units of the partnership. We will also look at the assets in this portfolio to determine the right mix and opportunity to strengthen the story and balance sheet and drive value to our shareholders. And now I'll hand the call over to Jim to provide an update on the overall financial results. I'll come back on the call to do a deeper dive on 60 Pro, the start of our Dextrose facility and Shell project as well as the exciting carbon opportunities shaping up in Nebraska.

James E. Stark
Chief Financial Officer

Thank you, Todd, and good morning. Green Plains consolidated revenues for the fourth quarter were $712.4 million, which was $201.7 million or approximately 22% lower than the same period a year ago. The lower revenue is attributable to lower prices for ethanol and dry distillers grains in Q4 of '23 as compared to the same period a year ago. We saw a drop in our commodity inputs with corn and natural gas down significantly year-over-year, contributing to a solid improvement in operating income for the fourth quarter compared to an operating loss in the same quarter of 2022.

As Todd stated earlier, our plant utilization rate was 95% during the fourth quarter. That compares to a 93.4% run rate reported in the same period last year and slightly improved from 93.9% from Q3 of 2023. We anticipate our plants to continue to perform in the low to mid-90% range of our stated capacity for 2024, barring any events outside of our control. For the quarter, we reported net income attributable to Green Plains of $7.2 million or $0.12 per diluted share. That compares to a net loss of $38.6 million or $0.66 loss per share for the same period in '22. One thing I'd like to note, our diluted share count for the quarter and year was 58.9 million shares.

This share count excluded the shares representing our outstanding convertible notes because using the asset converted method would have been anti-dilutive for the period that I stated. EBITDA for the quarter was $44.7 million compared to the $5.7 million in the prior year period. Looking at the last 2 quarters of 2023, when our platform utilization was strong and we ran at our targeted level, EBITDA for these 6 months totaled approximately $97 million, a vast improvement over the negative $43 million in EBITDA recorded in the first half of 2023.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Depreciation and amortization expense was lower by $2.4 million versus a year ago and came in at $24.3 million for the quarter. For modeling in 2024, depreciation and amortization should average approximately $24 million in the quarter. We realized $49.7 million in consolidated crush for Q4 2023 compared to the $7.9 million in the prior year. Again, when you add in Q3 of '23, consolidated crush for the back half of the year totaled $98.2 million.

For the fourth quarter, our SG&A costs for all segments was $32.8 million compared to $28.9 million reported in Q4 '22. The increase was driven by higher consulting and professional fees and higher stock-based compensation. Interest expense was $8.7 million for the quarter, which includes the impact of debt amortization and capitalized interest, it was $2.2 million higher than the prior year's fourth quarter.

This increase was primarily due to capitalized interest being recorded in the prior year period as our MSC projects were under construction. Our income tax benefit for the quarter was $0.3 (sic) [$0.2] million compared to a tax expense of $4.9 million for the same period in '22. At the end of the quarter, the federal net loss carryforwards available to the company were $37.3 million, which may be carried forward indefinitely. Normalized tax rate for the year, including minority interest, was around 28%. We do anticipate that our tax rate for 2024 will be around 24%.

Our liquidity position at the end of the quarter increased from the prior quarter due to continued strong execution and favorable industry fundamentals, leaving us well positioned to achieve the next steps of our transformation plan. Our liquidity included $378.8 million in cash, cash equivalents and restricted cash, along with approximately $251 million available under our working capital revolver.

I want to note that our acquisition of Green Plains Partners closed in early January. The final vote was supported by 92% of the unitholders that took the time to vote. This provides us with the opportunity to simplify our corporate structure and governance, generate near-term earnings and cash flow accretion and reducing our SG&A expenses related to the partnership, improve our credit quality of the combined enterprise as well as streamlining our reporting structure in 2024.

Going forward, net income from noncontrolling interest will be -- will no longer be included in anything from the partnership since we now own 100% of it, which represents about $5 million a quarter. Our non-controlling interest on the balance sheet will be adjusted as well. I do want to give you a reminder that we have no debt maturities until 2026, and our average cost of borrowing during the quarter was approximately 7%. For the quarter, we allocated $31 million of capital across the platform, including $17 million to our clean sugar initiative, about $6 million to other growth initiatives and approximately $8 million towards maintenance, safety and regulatory capital.

Our total capital spend for 2023 was approximately $109 million. As of today and considering the strategic view Todd spoke of earlier in this call, we anticipate CapEx will be in the range of $125 million to $150 million this year. Our plan is to deploy capital and the highest and best returning projects with shorter-term paybacks.

Now I'd like to turn the call back over to Todd.

Todd A. Becker
President, CEO & Director

Thanks, Jim. And so we have so many game-changing exciting things happening at Green Plains. I could take a few hours to go over it, but I'll give you some highlights instead. We are in the process of beginning to commission our first and the world's first commercial scale Clean Sugar Technology system that enables a dry grind processing facility to make commercial quantities of dextrose for use in industrial, food and chemical processes, and this is located at our Shenandoah plant in Iowa, and we believe we will be ready to begin delivering product in the beginning of the second quarter.

On the customer front, we continue to have strong interest in our low-carbon intensity dextrose products. Stay tuned for some announcements on commercial agreements as we are in late-stage negotiations with several counterparties for a significant portion of our production over the next several years. With up to 40% lower carbon intensity than a wet mill, and we validated that in 2023 and continue to with life cycle assessment for our dextrose compared to life cycle assessments for U.S. corn wet milling industry and

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

the other European industries as well. And we believe, and it's actually happening, it would be a game-changer for us and could ultimately reshape our entire company.

We expect to see results quickly and our team is already working on a second, even bigger location where to put it, but we will have further insights on that to share in the future as well. Our protein, we continue to see strong demand for our ultra-high protein products. We are nearing some commercial agreements on 60% protein. But before we get to that, the fourth quarter was our strongest quarter yet on 50% production and sales, and we continue to broaden our domestic and export customer base, yet we feel the international markets are proving to be more valuable to us for realization of better pricing, and we expect that in the future, a larger share of what we do to be in the 50 Pro market, and that will be offshore.

We have sold some 60% protein commercially in smaller beginning quantities and are in the process of finishing some commercial feed trials with some larger potential customers and have begun price negotiations for a larger share of the recipes and rations that they have.

As with any new product brought to market, we are executing the necessary steps to develop a large-scale program, including setting up a global supply chain. And importantly, we are making sure we get paid for what the product is worth. We continue to believe we are on track to convert 20% to 30% of our portfolio to 60 Pro sales as we exit '24 and expand that in '25. Our current discussions are indicating strong demand for these higher protein levels.

While we all want it to happen today, we believe this is not a matter of if, but a matter of when. Additionally, our innovation team is focused on developing new and exciting product attributes, commonly un-addressable by macro ingredients such as proteins. For example, the team is in advanced stages, very late stage of some novel product enhancements and expect to start customer-specific validation work later in the year. The innovation team is also implementing a new research solution to accelerate fermentation recipe developments for both our core products and our ingredient platform.

Lastly, we are excited to be launching our branded products for 60% protein later in the first quarter, so stay tuned as we move through 2024. So to reflect on what we have accomplished, we have increased 50% protein production and sales in Q4, broadening our domestic and export customer base, completed a commercial run of 60% protein, have verification of great digestibility and excellent amino acid profiles and have started to sell 60% protein to Europe, Middle East and Asia with South America as the final prize. But let's not forget, it is a brand-new product, and we are also new as a supplier. So a lot of things have to be set up to do a large-scale program, including a brand-new end-to-end supply chain on this product. And we continue to work hard very -- we will continue to work every day very hard on this with the team we've put in place.

Beyond dextrose and protein, probably the most important part of what we are trying to do is focus on the opportunities to decarbonize our platform and produce low carbon alcohols. We have diversified our carbon strategy across multiple carbon capture system pipeline projects and continue to explore alternatives for our non-pipeline locations. Our 3 Nebraska plants which represent 287 million gallons of our production should come online in mid-2025 and we anticipate having some additional updates on the progress of the well permitting and compression equipment in the coming weeks and months.

Given this project already has its main trunk down in the ground as a re-purpose natural gas pipeline and that sequestration would occur in Wyoming, which has primacy and has already begun to approve Class VI wells, we are highly confident that Nebraska biofuels will have an early advantage over ethanol plants at our position for carbon capture at this time. Decarbonizing these plants in the industry as a whole, enables the production of lower carbon intensity ethanol, positioning it to eventually be a feedstock for sustainable aviation fuel production, but also to have lower carbon intensity facilities that still make valuable animal feed ingredients and renewable corn oils.

Our 2 Iowa and 2 Minnesota plants, which represent 316 million gallons of production are on the Summit Carbon Solutions project, which we expect to get state-level approval in Iowa and North Dakota early this year. They continue to work on a path forward in South Dakota, and we expect this project to be operational in late 2026. That's still in time to participate in the 45Z Clean Fuel Production Credit. The

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Treasury Department has indicated that an updated version of the GREET model will be utilized for SAF tax credits and importantly, that CCS and climate smart ag practices will count towards lowering CI.

We expect the updated GREET model in early March, and then we will have a better sense of our role of our decarbonized ethanol can play in a growing market for alcohol to jet sustainable aviation fuel. Today, Brazilian ethanol and so-called used cooking oil from China qualified to be imported for sustainable aviation fuel and receive U.S. tax credit. So it's only right that American corn farmers and soy farmers have the same opportunity after billions of dollars of investments they have made over the years to grow the U.S. biofuels industry.

Remember that under 45Z, our renewable corn oil would be advantaged to other vegetable oils rather than the $1 per gallon blender credit for every RD or biodiesel gallon, these fuels will soon be judged on the CI of the feedstock and we anticipate our corn oil will be in high demand as a low CI feedstock for producing RD and sustainable aviation fuel. With the latest decline in veg oil prices, we have seen those revenues under pressure with current pricing in the mid- to high $0.40 per pound, but 2025 is when we are in advantaged feedstock in totality.

So to recap this section, we are very excited about the opportunity right in front of us, starting for our first clean sugar facility 60% commercialization for protein, bringing on our sales from JV online and positioning our Nebraska assets for decarbonization.

Finally, another important milestone upon us is the upcoming commissioning of the collaboration with our Fluid Quip MSC Technology, combined with Shell Fiber Conversion Technology at our New York, Nebraska location. We haven't talked about this much since we announced it last July, but we are excited about the long-term potential that this game-changing collaboration can have. Combining Shell's Fiber Conversion Technology with MSC from Fluid Quip Technologies, we expect to be able to extract all available renewable corn oil from the kernel, produce cellulosic sugars from the fiber that can be made into low-CI cellulosic ethanol and reduce further our production -- further enhance our production of high-protein feed ingredients.

More to come on this as we bring the facility online beginning later this quarter, but now it's really worth paying attention to. When we set out in this transformation several years ago, we had a 2025 target laid out, and this remains intact with some variability on how we get there. Some based on the pricing like veg oils, some based on the timing and some based on allocation of capital to the best return in projects. A lot has happened since then. The biggest thing is the implementation of the Inflation Reduction Act and how products are treated that we produce, but more importantly, the incentive programs. So when we look at 2025 full year and exit rate, we remain in the guidance ranges we had originally laid out with an upside case as well.

The opportunity to achieve early decarbonization, particularly in Nebraska, is leading us to rethink our capital allocation strategy. We are in the process of reviewing additional opportunities to more efficiently decarbonize and even expand production in Nebraska at our 3 sites. More to come on this as these projects come into view, but with the incentives that are now in place, how do we not participate with the advantage we have geographically at Green Plains.

As we exit '25, carbon alone in Nebraska represents over $100 million a year opportunity and we can reduce our carbon intensity even more. And then when some of this carbon comes online, watch out what the earnings power we'll have in our carbon strategies business. So think about the business and platform this way. With the cleaned up structure, it's very easy. Our depreciation and interest are approximately $130 million per year at this point. So looking at our 2025 opportunity and beyond, free cash flow generation could be significant with the capital invested in MSC, an additional CST facility, expanded carbon capture in Iowa and Minnesota gets activated, and renewable corn oils further advantaged through 45Z, not including the potential upside from our low-CI alcohols and our SFCT additional ability to grab more of the high-value products.
We are close and getting closer every day to our goals set out a few years ago. The value of our technology portfolio is next, and we believe we have a significant upside there as well. So with that, I'll leave it there, and thanks for joining the call today, and we can start the Q&A session.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Question and Answer

Operator

[Operator Instructions] We'll go first to Kristen Owen at Oppenheimer.

Kristen Owen
Oppenheimer & Co. Inc., Research Division

Todd, I realize the answer to this is probably all of the above. But I want to start here with your comments on just all of the milestones that you're expecting in 2024 on track to the 2025 EBITDA run rate. Given that the stock is now trading below your replacement value, I want to ask you what's the fulcrum that tips the balance for GPRE into this 2.0 transformation? We've kind of seen what is to come on protein. Is it sugar? Is it carbon? Like what really tips the scales here? And how do we think about that in the context of this replacement value sort of valuation discussion?

Todd A. Becker
President, CEO & Director

Yes, I think when we look at what's the fulcrum, it's really going to come through free cash flow generation. And when we think about how we cleaned up our structure and we look at the opportunity in '25, and that will begin to start generating significant free cash flow. And by '26, you're not just zero net debt, you're negative. You're in the positive situation from the standpoint of you continue to build cash.

And I think that's what we really set ourselves up for because when we kind of look at our ability to get to where we want to go, a lot of the capital has been spent. Some left to be allocated, but there's also some upside as well. So when you look at all of the segments, the IRA obviously is a big deal since we started this. And we think that carbon alone has increased in the opportunity. Our ability to commercialize 60 pro, it's also a big, big opportunity for us.

And then lastly, when we look at our Clean Sugar Technology and our corn oil on top of that, all of that, when you add it all together in '25, it starts to generate significant free cash flow returns. And that's really what we set this up for, which is why we simplified the structure. So before, it was a bit convoluted in terms of how do you get the money to the bottom line. And instead of just focusing on EBITDA, we're going to focus on EPS and free cash flow generation.

But look, some things have to happen. We've got to get clean sugar up and running. We got to think about where #2 is going to be. We've got to continue to build out our protein systems and continue to commercialize 60 pro. And we would like to see a bit of a recovery in veg oil prices, but that advantage that comes in is something we're looking forward to in '25.

But I think the bigger thing really is this base ability to get a return on carbon capture is something we didn't really plan on being this interesting. And I think when you add all that together, that's why we -- I think at this point, not including the base fuel, which, by the way, we believe will be more valuable as you decarbonize. When you -- that's why we -- at this point, we think that '25 range of guidance that we have put out there is still solid and -- but it all comes down to the structure of our income statement. And I think the structure of our income statement is changing dramatically with our ability to get money to the bottom line very easily now.

Kristen Owen
Oppenheimer & Co. Inc., Research Division

Okay. So then I want to ask my follow-up question, a little bit more granularity on the carbon side since that seems to unlock so many of these sort of lifts for you. You've talked about the advantaged facilities in Nebraska. You've outlined the EBITDA potential there. Can you get a little bit more specific on the milestones? Maybe once we get past that Class VI well approval, what needs to happen next? And maybe talk about your structure of that participation relative to what we've seen in your structure with Summit.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Todd A. Becker
President, CEO & Director

Yes. We can't really get into it because of the -- some of the agreements that are in place with each of the different structures, except to say that what we've laid out in terms of Nebraska. What are the milestones? Their ability to get the Class VI well permits, which they've already -- which Wyoming has started to issue, and this company is next in line for that. Our ordering of compression equipment, which we are in process of finalizing what is needed, and then the construction of that. The -- a couple of things we have to do in Nebraska in terms of upgrading their pipeline, which I think they're doing anyway. It's a very solid company.

And then I think when we have all that, it's -- it looks like a mid-'25 start-up. And we're not that far away from that because a lot of work is being done already. They already have been building new laterals for their natural gas to move off of different pipelines. So all of it's happening. I mean, the money is being spent. The difference in this project is the pipe's in the ground already.

So that's where you think, when you look at Nebraska, it's in an advantaged situation in a much earlier starting point. But that doesn't mean the rest aren't going to come as well. It's just timing at this point. But the econs in Nebraska of what we've laid out is as we start up midyear '25, hopefully, which I think we're on track at this point for somewhere in that range, you start generating baseload earnings over $100 million a year annualized just on the 3 Nebraska plants. So when you look at that, and I'm looking at it very carefully, when we look at capital allocation, the fastest paybacks, quite frankly, are trying to get more volume out of some of those sites.

It doesn't mean I'm going to do a double or anything like that of our sites, but adding a fermenter or adding some grind or adding to some capacity to take advantage of these fast-paying projects, that -- you could supercharge those earnings out of Nebraska pretty fast. And that's what we're looking to do. I mean those base earnings are so strong and so powerful that those first couple of years when during 45Z, and hopefully we get 45Z extended, has some serious cash generation. That's what we're going to go after pretty hard.

Operator

We'll move next to Jordan Levy at Truist.

Jordan Levy
Truist Securities, Inc., Research Division

Todd, I know it's difficult to really give any concrete outlook here with the volatility in crush and all of that. But I'll ask you anyway. You've got clean sugar and Tharaldson starting up. You're going to go on 60 pro sales. Utilization generally appears to be trending better. Maybe just help us walk through how you're thinking about the high-level 2024 EBITDA trajectory here.

Todd A. Becker
President, CEO & Director

Yes. I mean the base fuels started out weak and so we have to deal with that. But I think overall, it started out weak last year. But actually, at this point this year, we're better on the market than last year, if that makes any sense. So I mean -- and this cold snap was actually a little bit of what this industry needed to draw some stocks pretty hard and get production offline, and it's taking a little bit longer to come back online. That doesn't mean it won't come back online, but we're also seeing an uptick right now in blending in some markets. We're also seeing an uptick right now in some export takeaways with some new interest coming in as well.

And we're trying to assess that to determine on that base fuel and what we do and what the opportunity is. But when you look at it year-over-year at this time, it looks better than it did last year. But again, as we all know, that's a very volatile part of anybody's portfolio. Our key milestones, as I kind of referenced here, was we want to be able to make dextrose, ship dextrose in commercial quantities. And while the

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

contribution may take a little while, once we prove that we can do that, we can do it at scale. And we could ship it to customers being used globally or domestically -- sorry, not globally.

We know that we're off to the races. It's because the margin structure there exceeds everything else that we would be doing in totality. So we think that owning and controlling that technology, proving it out at full commercial scale -- and you can kind of see it online occasionally when we show pictures to say, this is a game-changing technology that I think redefines Green Plains in the future, on top of carbon capture, on top of the other things that we're doing.

But think about it like this, Jordan. We have plants that may not be on a pipeline. Well, they may be clean sugar plants. And that's really how we're thinking about this at this point. So they may be a full or partial conversion to clean sugar at that point, and we're going to increase our dextrose capabilities. We are months away from showing the naysayers who said, you can't make dextrose to be used in industrial production at a dry-grind ethanol facility. We aren't years away, we're months away. And we are highly confident that we will be able to compete and ship product.

On top of everything else that we've outlined, look, we're well positioned. I wish I had more actually. I wish I could actually have more plants at this point and more production with our platform. We had as many as 17 plants in the past. But I think within our platform, we could see some expansion opportunities for re-purposing some plants as well. So net, we don't see a gain in production overall, but we see a gain in our earnings opportunities at 2025 and beyond. So I think we own a very powerful portfolio of technology that is undervalued as well.

Jordan Levy
Truist Securities, Inc., Research Division

And maybe just to kind of hit on something you said about wishing you had more plants or whatever. I'm just curious how you're thinking about the portfolio at this point. You have, as any portfolio, have better and worse plants. I'm just curious, your thoughts around downsizing to scale up to your more premium plants? Or how you're thinking about the portfolio overall at this point given the opportunities you see out there?

Todd A. Becker
President, CEO & Director

We're going to look at our plant stack. We do all the time. We have some work to do. I think we have some areas that we wouldn't mind looking at a different opportunity there like the East where we would probably put a sugar build out there. And then in the West, wherever we can take advantage of some of these opportunities. Some of our plants -- these plants are getting older, so we have some CapEx to do to improve these plants. But once these carbon initiatives come into play, there will be plenty of opportunities to make sure that we can upgrade so that we can make as much product as we can.

And so I think we'll -- over the next couple of years, we're going to look at our plant stack to determine what fits, what doesn't, what can we go elsewhere, what can we expand, what can we divest out to earn more offered money in other areas. And so we're continuing to look at that. That's one of the areas that when we think about the future of Green Plains, we have some fantastic locations and some fantastic plants that, quite frankly, could produce more. And we have other locations that depending on -- that may not fit the future of Green Plains, depending on how we think about our technology deployment.

But as of right now, we're going to keep the stack we have. You can't buy an ethanol plant. I mean it's not like you can go out and say to the market, I'd like to buy one. The values are significantly higher than our stock price represents in a replacement perspective. You cannot buy a plant in the market of high quality for the value of what our overall stock price represents today or the value of many portfolios.

So while they certainly have pressured us lately, we believe that's unfounded because just the base value of our assets alone, we believe, are worth more than what the market is giving us credit for before you even talk about the additions of MSC, the additions of clean sugar and the additions of carbon capture equipment as well.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Operator

We'll move next to Adam Samuelson at Goldman Sachs.

Adam Samuelson
Goldman Sachs Group, Inc., Research Division

Yes. Thank you. Good morning, everyone. So maybe just coming back to kind of the framing on 2024, and I appreciate there's a lot of moving pieces between the underlying ethanol market and kind of the different plants that are commissioning, Todd. But can we just maybe zero in on the contribution from high pro. And I believe in your script, you said you expect to exit the year kind of with 20%, roughly 20% of high pro sold at 60%. What proportion of actual 2024 volumes are going to be sold at 60%? And can you kind of help frame the premiums that you're seeing today? And as we think about '25 volumes, what -- is it only 20% to 25% high pro volumes that are 60%? Or is it a substantially larger number than that?

Todd A. Becker
President, CEO & Director

Yes. So let's start with what we believe the demand for 60 pro can be. We are in enough discussions right now and have identified enough demand that would take all of our products if we can get them to buy it. And that's really what it comes down to. And it just takes time. And so whether it's going to be starting in the middle of this year, which is kind of what we're hoping for is to start getting one of our plants sold out for the next 12 months. I mean that's really what we're -- we're in negotiations around the world at this point on values but also in the fact that we're getting a lot of conclusions on some testing that's been taking place over the last several years as well.

So it's hard to predict when it will start. We say last -- this year, we want to have 20% to 30% of our production sold at 60 pro, and that's what we're shooting for every day. And we want to have much more than that in 2025 is what we're shooting for every day. But I can assure you and I can say this, we are in enough negotiations that could eventually take all of it. We just have to get the buyer on the other side to execute. And with the changes, what we're watching here, which is very interesting, which is the changes in the ratios between corn and soy. When you have soy coming down and soy going up and all of a sudden, soy meal coming down and corn staying strong, those ratios have played with buyers' minds a little bit, like how do they put on something versus a kind of corn gluten meal replacement all the way to a fish meal replacement.

It's a long answer to say that we have enough demand identified that could take all of our products. It's just a matter of time now. And so I can't -- we believe this year, we're going to get -- we're going to start the program. And we think in 2025, it will be much stronger.

Adam Samuelson
Goldman Sachs Group, Inc., Research Division

Okay. And then included in the release in a separate 8-K this morning, you kind of announced the Board is going to do a -- initiate a strategic review process. You had a standstill agreement with kind of a major shareholder. Can you talk about what -- just elaborate a little bit on what you're going to be doing now, from a strategic review perspective, that the Board and yourself and the management have not been doing over the last 2 years just to clarify what's changing?

Todd A. Becker
President, CEO & Director

Yes, that's a great question. I think from the standpoint of where we're at in the evolution of our cycle, we're not very happy with this latest share price decline. But we also want to do what's best in -- for all of our long-term shareholders as well. And a lot of people have been in this story for quite a while. As we said in our release, it's not limited to acquisitions, divestitures, mergers, sales, partnerships and financing. It's all of those we work on all of the time, plenty of those other than the sale process and the merger process per se. We just think there's a lot of value to unlock here.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

We talk to a lot of our shareholders, and Ancora was one of them. And I think we came to a good conclusion on how we're going to approach the future. I think they want to achieve as high a value as they can for how they're thinking about it, but so do all of our shareholders. So it's not like we've haven't done some of these things. But I think when we look at Green Plains, we have a very powerful platform that we believe today is significantly undervalued versus our future cash flows, and we're going to have to test the market on that a little bit. And more to come on that, but really, at this point, I think what's in the press release is what we're going to say at this time. But being on the Board and being a large shareholder myself, I strongly believe that there's a lot of value to still achieve out of our platform and Green Plains. And we're going to test that out.

James E. Stark
Chief Financial Officer

Look, Adam, I'll jump in and add one thing. I think what is different coming into '24 than previous years is bringing in the partnership really. It's going to allow us to have more flexibility on what we want to do. Particularly, as Todd said, if we want to reposition our assets from an ethanol perspective, it's much more easier for us to move forward. So the fact that that's tucked in now and we're back to a whole Green Plains corporation, I think it's going to help streamline us how we can move forward on a variety of different things to me. So that's what's probably different today than maybe over the past 2 years.

Adam Samuelson
Goldman Sachs Group, Inc., Research Division

Okay. And if I could just squeeze one more in on decarbonization. I think Todd talked about a $100 million-plus annualized run rate from the Nebraska plants once the pipelines start up next year. So am I interpreting that, that you think that the net value from 45Z to your Nebraska footprint is something on the order of $0.30 to $0.40 a gallon? And if that's correct, kind of what are you assuming the CI score for your ethanol would be next year?

Todd A. Becker
President, CEO & Director

Yes, we have a couple of different plants. Some actually go right on to the 45Z, but one of our plants still goes -- stays on 45Q in those calculations. So there's upside because we're looking at York and what to do. It's an old plant with a higher CI score, so they qualify for 45Q plus any carbon credits as well. So what we're looking at first is York to say how do we first decarbonize that plant, and we think we'll probably do it through distillation and significantly drop that carbon score, so we could actually earn more on top of that. So yes, as a starting point, that's what we're putting out there with upside from there, and some of it will be driven by 45Z. Some of it's driven by 45Q to start going to Z later on, so those aren't in the numbers. And then on top of that, the more interesting thing that we're seeing is the interest on top of LCFS because LCFS will see where that market goes to, but the interest in the voluntary credits from high-quality carbon sequestration.

And we're just kicking that off. But right now, we're seeing values in that $30 to $50 a ton range just for good high-quality credits from new projects like this. But I think when you looked at what Summit was able to achieve at $100 a ton, I think there's upside from there as well. So we'll put a little bit, add in those numbers. But overall, you're right to think about that. But if we can tack -- and so when we're done, we think that like a Central City's carbon score will be somewhere in the mid-20s before you even get into [pharma] carbon and before you get into post-combustion carbon or some other areas. So that give you an idea of our lowest plant will probably be in the mid to low 20s to start, but York will take a little bit more time to get there. So it will be a range. But mid to low 20s, absolutely, we believe, is a qualifier for anything that comes out of GREET for SAF modeling.

Operator

We'll move to our next question from Eric Stine at Craig-Hallum.

Eric Stine
Craig-Hallum Capital Group LLC, Research Division

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Just a few questions on my end. Maybe just starting on clean sugar. Obviously, Shenandoah coming online, that's a near-term event. I'm curious what that does for commercial discussions. Do you have customers that are waiting on that and they don't need to -- they need to see it? It's rather short in terms of the time period, and then they get going and take volume pretty quickly? Or is this something where you have a trial period and it's -- it will take some time?

Todd A. Becker
President, CEO & Director

Now our product, it's a little bit of both of what you're saying. So for the food guys, we got to wait to get -- some of them want to see the plant, the product, what's running, get a final certification. So that always takes a little bit longer because what we can show them out of York isn't necessarily what they're going to buy out of Shenandoah. So food takes a little bit longer. On the industrial side, we have already been approved as a product in industrial processes for some of the customers we're talking to. And others are in final stages as well.

But -- and there has not been any negative feedback from a standpoint of anything industrial, which is the largest quantities that we'll start with, that this product won't work in their processes. They -- obviously, they want to see the first product out of Shenandoah, but we are negotiating for shipments this year and much larger shipments in '25 and '26. We're on multiyear negotiations taking place. And we think we'll get some of those completed in the next kind of 30 to 45 days. And it's a little bit different, I think, than when we started out on protein. Because protein, we were kind of bringing a new product on. It wasn't soy 48. It wasn't corn gluten meal. It's somewhere in between. Nobody's ever used it. So that one took probably a little bit longer. On clean sugar, on dextrose, it's a carbon copy of what you buy every single day, except you get a lower CI.

And even though maybe sustainability has taken a back seat in some stories, the buyers still want to buy a low-CI feedstock because they're getting -- still getting, for example, in industrial products, they're still getting requests for them to lower the carbon score of their product as well, so that they -- so the retailer may be able to lower that. So it's a very different process for us. We just have to make the product now.

It's a $200 million-plus capability per pound per year. We'll start it up slow, but it will immediately go to 50% and then work to get to 100%. That's kind of our plan. So this is the year where we kick it off. And then as soon as we see that product come out, I think that gives us the confidence to say that we're going to go full bore on where do we go with #2.

Eric Stine
Craig-Hallum Capital Group LLC, Research Division

Got it. That color is helpful. Maybe just turning to high pro, you mentioned that international demand for 50 pro is quite high, but also talking about there's enough demand that eventually, you could be completely at 60 pro. So just thinking about that dynamic as the market kind of evolves and as you look at the market, I mean, do you think that those foreign markets will pay for 60 pro? Or is that more of a domestic sale when all is said and done?

Todd A. Becker
President, CEO & Director

Well, first of all, on the 50 pro, what I said is we're earning higher returns internationally than domestically at this point. But we're selling to both markets as we develop our 50 pro market globally. But we definitely get a higher value for the product when it goes offshore. On the 60 pro market, I would say it's a mix of domestic and export to achieve success. You got to remember that a lot of aqua is done globally, not necessarily in the U.S. So most of everything we do aqua, other than some areas in the U.S., is going to be foreign. In terms of pet, it's a combination of both domestic and foreign and export markets. And then also, when we look at kind of -- well, those are really the two big markets that we're focused on 60 pro, but we have enough identified demand and in discussions that could take all of it. If they all called today, we have some work to do to ramp up.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

But that's actually -- as we often laugh to ourselves, what if they all call today, right? So I mean, we have 50 pro on for the rest of the year. We've got things committed in pet for the rest of the year. So -- but we are -- we have a team that constantly works every day with global demand to place 60 pro. And again, it's not a matter of if. It's going to be a matter of when and it's going to be a matter of how fast. And as I said, I'll say it one more time, we have enough identified demand to take all of our products. We just got to get it to that next point.

Operator

We'll take our next question from Ben Bienvenu with Stephens.

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

So network capacity utilization at 95% in the quarter, very strong. It seems like the network is running efficiently now. I know you guys have had a lot of work that you've been doing through the transformation. As you look forward to 2024, should we expect a similar run rate as we move forward, absent seasonality and maintenance and the like? Or should we expect more variability as you commission or ramp new projects?

Todd A. Becker
President, CEO & Director

No. I mean, our goal is to have this or better as we move forward. We think there's more to unlock in our platform still. The January freeze, we slowed down a little bit, but it might cost us a point or two. But generally, we're back up and running this morning with everything running, every dryer running, every system running this morning. So we had a team -- and we're not done. We still have -- we find things every single day. These are getting older. So -- but we are pushing these assets as hard as we can. And we would think there's some more breakthroughs to come to unlock more capacity just that we even have today, whether it's moving enough corn, conveyors or getting old, those type of things.

So we're not done with achieving run rates. Yes, could there be a down quarter here and there? Sure. But generally speaking, from where we started the year to where we ended the year, made a lot of progress, but there's a long way -- still a long way to go. And Chris and the operations team across the whole company understand it and are fully focused on getting the most out of our assets every day. But I don't think you should expect that our utilization will go down.

Benjamin Shelton Bienvenu
Stephens Inc., Research Division

Okay. As it relates to the review of strategic alternatives and kind of broadening the scope of what you look at, does that preclude you from continuing to advance any of these transformational initiatives in terms of, hey, sugar -- this first ramp in sugar is quite successful, and you want to do a second one? Or is that not the case and it's more a context for thinking beyond maybe some of the things that you've been doing already? And it's incremental, not constraining?

Todd A. Becker
President, CEO & Director

Well, we're not -- it's business as usual on every single thing we've laid out. There's nothing changing from that perspective. It's a -- just to make sure that we believe, the Board believes, I believe, as some of our shareholders believe, that we're just undervalued: first, versus replacement value; second, versus the value of our future cash flows; third, versus the simplification that Jim outlined. And when you -- it's very simple now to get money to the bottom line. We just -- we need the market to help us with that. But we're -- no, nothing is changing in terms of its business as usual.

If we are already looking at clean sugar #2, we want to make sure we can make it in clean sugar #1. We've got to make sure we pick the best sites, make sure we have utilities, the wastewater, all the things that we need, that we discover. We are still fully focused on 60 pro. We are still fully focused on decarbonization. It's business as usual. But I think this is a good time sometimes to also pause to make

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

sure that what else should we be looking at from a portfolio mix, from the location of our company, from the value of our company, from everything that we've outlined in the press release.

Operator

We'll go next to Salvator Tiano of Bank of America.

Salvator Tiano
BofA Securities, Research Division

Yes. So firstly, I want to come back to the Nebraska project and understand a little bit some of the economics. I mean, you mentioned the $100 million, which certainly sounds pretty good. But I think for the Summit pipeline, you have disclosed a little bit some information. How would it work here in terms of 45Z and 45Q that you mentioned will benefit you? Do you have to actually share this with the pipeline operator? And who is incurring the cost of the carbon capture equipment that you said you're ordering right now?

And the last part is here, just a little bit on the time line. You said you're finalizing the order, and I was under the impression that usually, the backlog wouldn't allow something to be ready within a year. But you seem to have a start-up date in mid-2025. What gives you confidence that you will receive equipment and be able to install by that time frame?

Todd A. Becker
President, CEO & Director

Well, that backlog, first, let's address the backlog. That backlog has certainly come down a lot just because of the different delays in different projects around the United States with Navigator not building anymore as well as some of the enthusiasm that was early enthusiasm. I think when we look at start-up dates for all the different projects that are out there, Nebraska project being the first earliest start-up date, compression equipment is available. And so we're confident that as we put the order in, we'll be able to be up in time for the start-up. The econs, we can't -- in the different contracts, we really never put out there what each of those would represent nor at this point would we do that, except to say that we're giving you a range of what Nebraska is capable of in terms of starting points with upside from there.

The key is get -- no matter what project it is, get it in the ground to earn some 45Zs, try to extend 45Z if we can, and then you move to 45Q and then carbon credit values. So generally speaking, the econs for Nebraska are what we've outlined. The total econs kind of when we look forward for '26 and beyond and especially when you get into the 45Qs era, they'll come down a little bit. But generally speaking, you want to attack anything you can to get on in the 45Z area.

If we were today fully operating across the Western plants that we have on different pipelines, we would be significantly higher than that relative to our carbon earnings for that. Not on top of the path -- well, we strongly believe that those earnings are going to come and they're not being appreciated, quite frankly, in the valuation of our company. And the reason I say that is because three years ago, nobody wanted to talk about it. Nobody believed it. We're a year away from the first project coming online. So when you look at carbon strategy's earnings, as you get into just on 45Qs, based on the -- and the end of 45Z, you're talking about full rate at Green Plains in the 150 to 200 rate for the first couple of years of Z, when all the projects are online in terms of EBITDA, and then dropping a little bit after that when 45Q takes over.

So there's some serious earnings power that I think nobody wanted to talk about a year ago, but it's definitely worth talking about today because with this one year -- we're only one -- really only one year away or so from the first project starting up. And there -- and by the way, lastly, that's a long answer. But there is a project already operating at an ethanol plant in direct inject that is earning all of the money that we talked about relative to Zs and/or relative to the 45Q today while 45Z comes online. But it's happening. Money is being earned already on some of these projects.

Salvator Tiano
BofA Securities, Research Division

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Okay. Perfect. And I wanted to touch base a little bit on your corn calls. Clearly, the market has been -- has not been very tight recently, and we're still going to get a lot of big corn harvest probably in 2024. What are you seeing in terms of the corn basis you're paying this year? What you're expecting for '20 -- sorry, what are you seeing about the corn basis you're paying right now and for the full year? And generally, when we're thinking about paying $0.80, $1 or more in corn basis in the past year in 2023, shouldn't that be a very meaningful tailwind for your core ethanol margins this year?

Todd A. Becker
President, CEO & Director

Well, it's a combination of everything. I mean, ethanol is down significantly as well. So while the corn basis is down year-over-year, ethanol is down with flat prices down, which just means distillers grains are down. So -- but generally speaking, we just manage the margin. If you take a look at some of the big processors, and I'll give you the generalities and honestly what we're at our plant, Nebraska is a 10 to 20 over basis market today.

Middle Iowa processors is a 5 to 15 over basis market today, and Central Illinois is about 10 to 15 over. So a lot of people are modeling much lower corn costs generally because they're going back to historical basis in some areas. But generally, across the bigger processor market, we're still sitting a little bit over corn. But that's still significantly lower than $1 or $1.50 over corn where we were a year ago or 2 years ago. So that is a nice thing to have. But generally speaking, it all just goes into the equation to come up with a margin. And that's really how you achieve your goals.

Salvator Tiano
BofA Securities, Research Division

Well, I guess what I'm trying to understand if I'm missing this, as you said, $0.10, $0.20 versus $1 before. So if we think about an $0.80 improvement in your corn calls, setting aside the actual corn price, which is also deflating, that would seem to add a very, very meaningful amount to your [thing] which I don't think we saw in Q4. So that's what I'm trying to understand.

Todd A. Becker
President, CEO & Director

But you're not -- again, it's 4 components. It's natural gas, it's corn, it's ethanol, it's distillers grains. And you can't just look at one of those components to think just because there's a $1 less corn cost, which is $0.30 a gallon, ethanol has adjusted for that. It's not like they -- what corn giveth, ethanol can taketh away. So that's kind of what happens is the market adjusts. You don't just get to earn the full $1 a gallon or $1 a bushel gain just because your input costs dropped. It all goes into the margin. It's corn, ethanol, natural gas and distillers grains, less your operating cost, gets you to an EBITDA margin. So it's all just part of the calculation.

Salvator Tiano
BofA Securities, Research Division

I know. That's exactly what I'm trying to get to because when we look at the corn price and the ethanol price, if you add the base that you said, $0.30 for example, benefit per gallon, the ethanol profits appear too -- they probably should be stronger than they are. That's what I'm trying to get to. And that's why I'm trying to figure out what I may be missing here.

Todd A. Becker
President, CEO & Director

Yes. But remember, often, what you see is we take a -- when we look at our EBITDA, we take our -- we adjust for our SG&A because we are an independent company. And while you may see others that don't have to necessarily adjust for SG&A, our plants right now, because we have a different type of plant stack than maybe the best producer, it costs us a little bit more. But generally speaking, a little more OpEx, but generally speaking, it's all a combination of and you're not going to gain -- you're not -- the market is not

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

getting the full benefit of this corn input cost breaking hard because everything else has adjusted around it.

Operator

We'll move next to Craig Irwin at ROTH MKM.

Craig Irwin
ROTH MKM Partners, LLC, Research Division

So most of what was top of mind has already been put out there. So maybe, Todd, can we talk a little bit about private market transactions and really what's going on around some of the plants that are being offered out there? So we've heard that there's actually a pretty intense level of interest because of SAF and the anticipated language this March. Ethanol to aviation fuel is something that's pretty simple by a couple of pathways. I mean, I like the pathway you're working on. But I understand that the asking price for a lot of these plants is pretty rich, and they also have demands for tails on carbon, et cetera. Can you maybe just update us on what you're seeing in the private market? And you did mention the strategic review, so that always does include a potential sale. Would you expect those conditions to maybe be a part of the consideration for Green Plains as well?

Todd A. Becker
President, CEO & Director

So the private market isn't really existing today. There's definitely a lot of interest for plants. But if you have a good operating high-quality plant in a good location, it's above -- it's in that $1.80 to $2 range, before you could even get somebody to even talk to you, of a gallon of replacement. To replace a plant today, it's in that dollar -- well, probably $2 to $2.50 a gallon range to build a plant today from scratch. When you look at our -- what we think is 950 million gallons or so of capacity and you look at that without -- so that's without protein, without dextrose, without carbon, without anything today, that's what it would take, I think, in the private market to even think about clearing a plant of any good quality. I think that's some of the bigger issues that we see.

When you look at that compared to our market cap and our net debt position, which is lower, we're -- the public markets are a significant discount. And it's not just us. It's others that are in public are significant discount to the valuation of the private markets. But that's been going on really since the beginning of time. So we see that often. And so we're well positioned. But when we look at it from the perspective of decarbonized alcohol, that isn't even being valued yet. So I mean, absolutely, the calls come in to say, how do we partner with you, how do we look at your decarbonized alcohol, how do we get supply agreements. Those are just starting, but they want to see obviously the carbon capture happen. But decarbonized alcohol will be a very valuable asset, and that's why we believe we're well positioned in Nebraska.

Craig Irwin
ROTH MKM Partners, LLC, Research Division

Excellent. And just a macro question around SAF and the potential deletion or diversion of ethanol -- corn ethanol capacity into the aviation fuel market. For many years, we were talking about exports to Canada, to Mexico, to China, India and potentially tightening economics to the benefit of ethanol producers. Would you expect the diversion of 1 billion gallons of production into SAF markets -- ethanol production into SAF markets to have a similar impact to what was optimistically looked for around exports in the last many years?

Todd A. Becker
President, CEO & Director

Well, if you take a look at SAF capabilities and the demand for SAF, it could be significantly higher than that. Remember, a gallon of ethanol gets cut down by 1/3, so it's only 2/3 of a gallon of SAF. And when you look at that, take 1 billion gallons of ethanol, [put in] 600 million gallons of aviation fuel, which is a

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

drop and it doesn't need to be blended, in a $30 billion, $40 billion gallon domestic market, I mean it's a drop in the bucket to get to those numbers.

Again, somebody has to build it. They're going to be expensive. You need billions of dollars to build SAF. I think it's going to come. I think it first comes out of the veg oils, which is what we're seeing. But if you really want to get real scale, it's going to have to come out of alcohol. But it starts and ends with decarbonized alcohol. If you don't have decarbonized alcohol, you don't have a discussion. And that's why we believe, first and foremost, Nebraska is very valuable within our platform, totally undervalued. But it starts with decarbonized alcohol, and the first to market will get some of the best benefits.

And so that's why we're pushing so fast on these projects. But I think it would be light to say that if successful, 1 billion gallons would be diverted. I think it could be billions of gallons. And then the market will have to figure out how do they get to what they need just to satisfy everybody else's needs because it's not like the world needs us to take 2 billion or 3 billion gallons of ethanol off the fuel market. That would have a significant impact to price.

Craig Irwin
ROTH MKM Partners, LLC, Research Division

Okay. And the last question, if I may, is I guess, most investors know you just can't get a catalytic converter on a jet, right? That technology would be great, but it's not available. But I think people really don't understand that aviation emissions are not tracked above 2,500 feet. And can you maybe share with us what you're hearing from investors? Are people educated on the fact that you've got 500, 600 ppm of sulfur in jet fuel that's needed for the lubricity while on-road diesel is [supplied], right? So are you hearing a more educated complete discussion around this from investors as they look at the responsible environmental investment in sustainable aviation fuels?

Todd A. Becker
President, CEO & Director

That's -- you stumped me a little bit. But I would only tell you that, look, the carbon intensity is very important. It's measured and monitored. I think people understand if you make sustainable aviation fuel, you're going to lower your carbon intensity of an aircraft. And it's a demand pull, not a demand push. I think that's the most -- so somebody is realizing it. I don't know that I understood much of what you were saying, but somebody is realizing it. So -- because we are getting -- we continually get calls in for decarbonized alcohol to SAF, how do we commercialize it, and how do we get it into the demand that's there for it today. And obviously, waiting for GREET and the government to give us a bit more guidance on it as well.

Craig Irwin
ROTH MKM Partners, LLC, Research Division

So maybe I can restate that. Do you think investors understand how incredibly dirty jet fuel is versus on-road fuel and take carbon out of the equation? The responsibility we have for equal treatment of the airlines versus trucking and commercial and retail transportation.

Todd A. Becker
President, CEO & Director

I don't know if that's the case or not. I do know that it's been proven that ethanol reduces carbon emissions by over -- almost over 50% in automobiles. So I'm assuming it would be the same -- at minimum, the same in jet so -- in particulate emissions as well.

Operator

And that does conclude the question-and-answer session. I would like to turn the conference over to Todd Becker for closing remarks.

Todd A. Becker
President, CEO & Director

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Yes. Thanks, everybody. Look, we're in a really good place. Financially, we're strong as a company. We remain strong. We're not going anywhere. We continually to prove that we come out of our -- the first half of the year where our plants definitely had some problems. And we've fixed a lot of those, but we have more to go to show our operating run rates continue to be steady. I think we've shown the market that we are commercializing products. And while some people may have different timelines, we're right on the time line we thought we would be relative to our initial '25 guidance and where we're sitting for '24.

We have great products coming. We've got great technology portfolio. We're excited to realize the value of this company, and we'll keep you informed on the progress that we're making. And we've got some great stuff happening in this quarter with start-up of Shenandoah, with the CST system, the start-up of SFCT and continue to work on 60 pro. So keep watching us, we're excited about the future. Thank you.

Operator
And this concludes today's conference call. Thank you for your participation. You may now disconnect.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Copyright © 2024 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2024 S&P Global Market Intelligence.