



**WRITTEN STATEMENT OF THE  
NATIONAL PETROCHEMICAL & REFINERS ASSOCIATION (NPRA)  
AS SUBMITTED TO THE  
SUBCOMMITTEE ON ENERGY AND POWER OF THE  
HOUSE ENERGY AND COMMERCE COMMITTEE  
FOR A HEARING ENTITLED:  
“THE AMERICAN ENERGY INITIATIVE: CHALLENGES AND OPPORTUNITIES  
FOR ALTERNATIVE TRANSPORTATION FUELS AND VEHICLES”  
MAY 5, 2011**

NPRA, the National Petrochemical & Refiners Association, appreciates the opportunity to submit this statement on alternative transportation fuels and vehicles.

NPRA is a trade association representing high-tech American manufacturers of virtually the entire U.S. supply of gasoline, diesel, jet fuel, other fuels and home heating oil, as well as the petrochemicals used as building blocks for thousands of vital products in daily life. NPRA members make modern life possible and keep America moving and growing as they meet the needs of our nation and local communities, strengthen economic and national security, and provide jobs directly and indirectly for more than 2 million Americans.

Our nation's domestic petroleum refiners are committed to manufacturing safe, reliable and clean transportation fuels. NPRA supports the safe use and integration of alternative fuels into the marketplace. However, we oppose any actions that could endanger the safety of the American families, farmers and truckers we serve every day. We take the confidence Americans place in our products – demonstrated by the millions of times each day that consumers purchase gasoline and diesel fuel – very seriously.

NPRA opposes the mandated use of alternative fuels and supports the sensible and workable integration of alternative fuels into the marketplace based on market principles. Energy policy based on mandates is not a recipe for success. There is no free market if every gallon of biofuels – including those that do not exist – is mandated. Mandates distort markets and result in stifled competition and innovation.

A broad range of groups including environmentalists, anti-hunger groups, auto manufacturers, outdoor power equipment manufacturers, boaters, snowmobilers, motorcyclists, cattle and poultry producers, grocery manufacturers and others have raised many serious concerns about the structure of and regulatory decisions surrounding the current renewable fuels mandate.

All of above groups can speak for themselves, so NPRA will use this statement to discuss the problems that the Renewable Fuel Standard (RFS) and the use of increased ethanol in gasoline could create in the years ahead not just for the American fuel manufacturers we represent but for the American motorists our members have served for more than 100 years. No industry could stay in business that long if excellent customer service was not its central focus.

For us, the primary problems with the RFS come down to questions about consumer protection. We want to do everything possible to ensure that we provide the highest quality fuel to the families, farmers and truckers who rely on our products. We want to avoid being forced to create fuel blends that could damage the gasoline engines our customers own in their vehicles, outdoor power equipment and other products.

We believe the RFS as currently structured is flawed and in need of revision to respond to numerous problems that stand in the way of transforming it from an attractive idea into a practical reality. We ask this committee to carefully reexamine and then revise the RFS to best serve the interests of the American people.

The Energy Independence and Security Act (EISA) of 2007 calls for annual increases in the RFS beginning in 2008 and reaching 36 billion gallons of biofuels in 2022. The act also established a subset of the RFS labeled advanced biofuel beginning in 2009. In addition, EISA created a complicated mix of submandates for specific classes of renewable fuels. But legislation cannot mandate scientific discoveries or alter the laws of chemistry, biology or physics. Despite good intentions, mandated increases in the production of cellulosic biofuels and other second-generation biofuels have not been achieved for a long list of reasons.

Ethanol is currently blended into about 85 to 90 percent of all gasoline sold in the United States, generally a level of 10 percent, known as E10. If the RFS is not changed, even if all gasoline sold in our country was E10 only a little over 14 billion gallons of ethanol would be consumed in 2012 – less than 15 billion gallons of corn ethanol allowed by the RFS beginning in 2015. This limit at ethanol used under the E10 standard is known as the “blend wall” and poses significant challenges to RFS compliance in future years.

Once the fuel supply has reached its limit in relation to E10, the only other existing option for compliance would be for refiners to rely on ethanol credits from the use of E85, a fuel made up of 85 percent ethanol. However, consumers have rejected E85 because it cuts fuel economy by more than 25 percent compared with regular gasoline. Due to this severe energy content loss, the AAA’s Fuel Gauge Report has shown the on an energy content basis, E85 has consistently been MORE expensive than regular gasoline over the last several years. This past Wednesday, AAA’s publication listed the average national BTU adjusted price for E85 as \$4.40 per gallon, compared with an average national gasoline price of \$3.98.<sup>1</sup> The previously mentioned compliance problems could lead to a situation where refiners end up in fierce competition for scarce ethanol credits as the amount of ethanol that consumers will accept in the fuel supply reaches its limit. If such a situation were to occur, it could lead to a situation where the market places significant upward pressure on RIN costs. Both refiners and consumers would end up bearing the brunt of these costs.

The ethanol industry has mounted increasing pressure on the Environmental Protection Agency to approve higher amounts of ethanol in gasoline as a way to address compliance challenges of the RFS mandate and crash through the blend wall. EPA recently approved the sale of gasoline containing 15 percent ethanol – known as E15 – for cars manufactured since 2001. Use of E15 instead of E10 increases the amount of ethanol in gasoline by 50 percent. Ethanol boosters are also seeking to mandate that automakers produce more flex-fuel vehicles, which can run on E85, even though E85 is not popular with consumers. Since it takes 40 percent of the corn produced in America to produce E10 fuel for most vehicles, if every car was fueled with E85 all the corn currently produced in the nation wouldn’t be enough to meet the nation’s biofuels needs.

NPRA has nothing against ethanol. Our members blend it and sell it every day at the E10 level. It is a good fuel additive. However, the RFS mandate as currently structured is bound to lead to consumer confusion and economic problems on a number of fronts. NPRA opposes EPA’s decision to approve a partial waiver for E15. EPA does not have authority under the

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<sup>1</sup> AAA’s Fuel Gauge Report found at:  
<http://fuelgaugereport.aaa.com/?redirectto=http://fuelgaugereport.opisnet.com/index.asp>  
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Clean Air Act to approve a partial waiver that allows the use of E15 in some engines but not in others. In addition, EPA based its first partial waiver decision on new data submitted to the public rulemaking docket on the day before the agency announced the partial waiver, providing no time for the stakeholder review or meaningful public comment required under the Administrative Procedure Act.

More importantly than questions about EPA's authority, NPRA is very concerned about misfueling and the potential consequences, including possible injuries to consumers and damage to engines. If E15 comes into widespread use, it will find its way into older vehicles, small engines and boats with potential consequences for personal safety, irreversible engine damage, consumer confusion, operational problems, a loss of a manufacturer's reputation, and warranty arguments. Questions about liability for these potential consumer incidents will lead to a litigation lottery in our courts. Consumers rely upon their government to ensure that the products offered are safe for the intended use. EPA's partial waiver decision ignores this responsibility and allows a product to be placed into the stream of commerce, based on EPA's assurances that a dispenser label is ample warning when prior history proves that a label alone is not enough.

Instead of approving E15 for use in newer-model vehicles, EPA should have required additional objective research and analysis to follow the science and determine if E15 is safe and if its use is in the best interests of the American people and our environment. In reexamining the RFS, Congress should also examine how to introduce more ethanol into the fuel supply in a way that addresses consumer protection through measures that will effectively combat potential misfueling.

A key principle to follow in developing policy recommendations is "do no harm." Policymakers should carefully consider the potential impact of policies on the environment, energy security, and consumers. Unfortunately, well-intentioned regulations or legislation can create harmful unintended consequences. In relation to the RFS, many of these unintended consequences are coming to fruition. NPRA is concerned that if the RFS is not reconsidered, these problems will only get worse to the detriment of our economy and consumers.

NPRA members are dedicated to working cooperatively at all levels to ensure an adequate supply of clean, reliable and affordable transportation fuels. We stand ready to work with Congress to ensure a stable and effective fuels policy that utilizes a diversity of resources to improve our national security, assist our consumers and protect our environment. The RFS creates several problems in the fuels marketplace – many of which may be insurmountable. In addition to consumer impacts, backlash from potential negative impacts of this law could ultimately end up threatening the availability of alternative fuels in the marketplace. Congress should revisit the renewable fuels mandate and address these important issues.