Unpredictable costs associated with Renewable Fuel Standard (RFS) compliance are a reality for refiners in the United States, and debates about small refinery exemptions (SREs) must remain honest and grounded in data. Claiming that SREs cause "demand destruction" or price declines is not borne out in fact — the numbers don't add up.

Government data and independent analyses confirm: SREs have not reduced demand for ethanol or deflated prices. Rather, overproduction of conventional biofuels and blend wall infrastructure challenges — along with international trade tensions impacting ethanol — are what's affecting the marketplace. Withholding SREs to solve for non-existent demand destruction would inflict more pain on small refineries and potentially drive them out of business. No one benefits in that scenario — not refiners, not consumers and not farmers. Here's what industry and economic experts are saying on the issue

- "Data and economics point to increasing supply as the primary driver of low ethanol prices. Ethanol production in the U.S. looks to have topped 16 billion gallons for the first time in 2018 and this has simply been too much for the domestic (and export) fuel markets to absorb." – Scott Irwin, University of Illinois at Urbana-Champaign, Farmdoc Daily, January 16, 2019

- "Updated analysis… shows even less evidence that the blend rate for ethanol has been reduced by SREs… The reason for this counter-intuitive result is that all but a tiny sliver of ethanol in the U.S. is consumed in the form of E10 and ethanol is very price competitive in the E10 gasoline blend." – Scott Irwin, University of Illinois at Urbana-Champaign, Farmdoc Daily, December 13, 2018

- "Increased SREs and lower ethanol RIN prices have not caused ethanol demand destruction. This is supported by a review of RIN pricing economics and an analysis of ethanol blend rates, which have continued to increase after SRE announcements." – Charles River Associates, September 15, 2018

- "Ethanol demand has suffered little due to EPA's recent approvals of small-refinery waivers to the Renewable Fuel Standard, a new analysis from a University of Illinois economics professor finds…The analysis may be a ray of light for farmers who are concerned about losing demand for their products due to a variety of trade issues and changes to the RFS, lower commodity prices and lower farm incomes." – Todd Neeley, reporter, DTN-The Progressive Farmer, September 14, 2018

- "Analysis of data on ethanol and gasoline consumption in the U.S. shows there is little if any evidence that the blend rate for ethanol has been reduced by [small refinery exemptions]." – Scott Irwin, University of Illinois at Urbana-Champaign, Farmdoc Daily September 13, 2018

- "There is no evidence of domestic biofuel demand destruction from RFS waivers to small refiners. Biofuel demand is robust and increasing, likely as a result of what RFA recognizes in its own analysis: the low price of ethanol relative to gasoline. As numerous studies have indicated, ethanol blending will remain economic, even in the absence of a mandate." – Joanne Shore, independent consultant, September 11, 2018

- “Blend rate data still shows no demand destruction. Physical ethanol consumption is up this year.”– Frank Maisano, senior principal, Bracewell LLP, September 7, 2018

- “June 2018 Petroleum Supply data is in. Blend rate is 9.8 percent, just like June 2017 ... Still no correlation with RINs and biofuel blending.” – Fueling American Jobs Coalition, August 31, 2018

- “Trends indicate that the downturn in [ethanol industry] profitability cannot be traced to a downturn in usage ... The story behind the declining fortunes of the ethanol industry is straightforward. Domestic and export use for U.S. ethanol has increased nicely since 2014, but production capacity and actual production increased even faster. The surge in production basically overwhelmed the rise in use.” – Scott Irwin, University of Illinois at Urbana-Champaign, Farmdoc Daily, March 14, 2018

- “I found two experts who've examined [if the RFS is essential for ethanol blending] in great detail: Paul Niznik, an analyst at Stratas Advisors, an energy consulting business in Houston, and Scott Irwin, an economist who teaches at the University of Illinois. And here's their bottom line: If the law changed tomorrow and gasoline companies were free to ignore ethanol, they'd almost certainly keep right on blending ethanol into their fuel. Got that? The ethanol mandate requires gasoline companies to do something that, at the moment, they'd do anyway.” – Dan Charles, reporter, NPR, February 10, 2016

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