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The Honorable Michael Regan
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., NW
Washington, D.C. 20460

Dear Administrator Regan,

On behalf of the American Fuel & Petrochemical Manufacturers (AFPM), congratulations on your confirmation to serve as the Administrator of the U.S. Environmental Protection Agency (EPA). Having proudly served at EPA, I know you will find a professional team dedicated to EPA's mission. I wish you success and offer to be a resource for you and your team.

AFPM is a national trade association representing the U.S. refining and petrochemical industries. Our members manufacture the base petrochemicals that serve as the building blocks for countless products and the fuels that power our lives and economy, including many renewable fuels such as ethanol, renewable diesel, and algal biofuels. In all, our industries support more than 3 million jobs and hundreds of communities across the country.

The last year has been very challenging for U.S. refiners. In addition to devastating public health consequences, the covid-19 pandemic wrought unprecedented demand destruction for refined petroleum products, causing utilization rates to sink to historic lows and contributing to the closure of multiple refineries. Making matters worse, uncertainty continued to swirl around EPA's Renewable Fuel Standard (RFS) program. The year came and went without a 2021 rule, leaving companies largely blind to what their annual compliance obligations are, and no further certainty around the proposed extensions to the compliance demonstration deadlines for 2019 or 2020. This regulatory uncertainty has helped push Renewable Identification Numbers (RIN) prices to near all-time highs, threatening the viability of many refineries.

For the sake of good governance, something I know you and EPA career staff value, I urge you to take prompt action to finalize EPA's proposed compliance deadline extensions. Unless extended, the 2020 compliance deadline is only a few weeks away.

I also urge you to move forward with the 2021 rulemaking. As you craft the 2021 rule, I ask you to consider the following:

- The U.S. Energy Information Administration's Short-Term Energy Outlook projects a 7.5 percent decline in gasoline demand this year compared to pre-pandemic levels, estimating that the U.S. will consume approximately 132 billion gallons of gasoline in 2021. If volumetric mandates are not adjusted to account for this reality, there will not be near enough fuel into which biofuels can be physically blended.

- At a 10 percent ethanol blend, the market faces a 1.8 billion-gallon shortfall of the RFS's 15 billion-gallon conventional biofuel target for 2021.
- Although some claim this could be addressed by blending more E15, to bridge the gap would require 36 billion gallons of E15 sales this year, which would be infeasible. For reference, fewer than 2 percent of retail stations currently sell E15. To sell 36 billion gallons of E15 in 2021 would require E15 to comprise 27 percent of gasoline sales this year. Even an exponential growth in E15 sales would still not be enough to overcome the deficit.
- Refiners have historically used biomass-based diesel to fulfill the advanced biofuel standards and the conventional biofuel gap. Based on current production data, it is unlikely that there will be sufficient biomass-based diesel to meet demand. Historically, this has increased the need to import fuels to meet the standard.
- This unrealistic volumetric target comes on the heels of the aggressive 2020 standards, which included a reallocation of 770 million gallons of projected small refinery waivers that have not been granted for either 2019 or 2020.
- In fact, the EIA recently released an analysis estimating that 2020 RIN generation was 800 million short of what was needed for the 2020 standards.[1]

To put it simply, if EPA maintains biofuel volumes for 2021 even at the same levels as the previous couple years, it will be impossible for refiners to comply using RINs generated by physical blending. For this reason, some analysts project that the U.S. may exhaust the RIN bank built by overcompliance in previous years.[2] EPA has repeatedly stated that maintaining the RIN bank is critical for liquidity and cost control. Thankfully, EPA also has the tools at its disposal to ensure that this does not happen and to protect consumers.

Again, I urge you to act swiftly and decisively to bring stability to the fuels market by extending the upcoming 2020 compliance deadlines and setting the 2021 and 2022 standards at reasonably achievable levels. Additionally, due to the extremely challenging market conditions for blending biofuels, the 2021 standards should not include any additional volume either for reallocation or to address the 2016 remand court decision.

I would welcome the opportunity to discuss this matter with you in more detail.

Sincerely,

Chet Thompson
President and CEO
American Fuel & Petrochemical Manufacturers

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[1] This Week In Petroleum Summary Printer-Friendly Version (eia.gov)

[2] Latest Biofuels News | OPIS (opisnet.com)