

Testimony of Geoff Moody
American Fuel & Petrochemical Manufacturers
EPA Public Hearing for the Proposed
Renewable Fuel Standards for 2017
June 9, 2016

Good morning. I am Geoff Moody, Senior Director, Government Relations at the American Fuel & Petrochemical Manufacturers.

AFPM 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 products vital to everyday life.

The statutory levels of renewable fuels are unachievable for 2017 and EPA must preserve a broad interpretation of its waiver authorities, as it did in the rule for 2014-16 RFS.

The statutory quantities of ethanol to be consumed exceed the technical limitations of many engines and fueling infrastructure in service today. The vast majority of existing vehicles and infrastructure are not warrantied to handle a gasoline supply containing more than ten percent ethanol (“E10”), which leads to what is referred to as the “E10 blendwall.” AFPM has proposed a 9.7 percent cap on ethanol in gasoline because it is the minimum EPA action necessary to retain a supply of ethanol free gasoline for some engines, account for historical differences between EIA projections of gasoline demand and actual demand, and promote liquidity in the Renewable Identification Number (RIN) market.

EPA’s recognition of the ethanol blend wall and the potential adverse effects on consumers is a welcome; however, EPA’s actions are short-term in nature and point to the need for Congress to repeal or significantly reform the severely flawed and outdated RFS.

In the meantime, EPA has the authority and the responsibility to waive the RFS mandates to reflect market realities such as declining gasoline consumption, the lack of drop-in biofuels and the failure of E15 and E85 to meaningfully increase the amount of ethanol that consumers are able to use.

To date, the advanced biofuel requirement has functioned as a de facto mandate for hundreds of millions of gallons of sugarcane ethanol imported from Brazil. Mandating imported ethanol is not what Congress intended – EPA should consider only “domestic supply” when setting the advanced biofuel and total renewable fuel volumes.

AFPM supports EPA’s recognition of the need to preserve carryover RINs, a crucial tool for industry and individual companies to deal with uncertainties and challenges, and to provide compliance flexibility.

In relation to the cellulosic portion of the mandate, EPA recognized that commercially-available quantities of cellulosic biofuel simply do not exist and the Agency has downwardly adjusted the RVOs each year, and has proposed to continue this waiver for 2017. However, the Agency still proposed a cellulosic biofuel requirement for 2017 that far exceeds a reasonable projection of what can actually be produced. In January 2013, the court told EPA to be reasonable, not aspirational. EPA must implement this decision and focus on the realistic implementation of the RFS, given the changed circumstances presented by the reduction in overall gasoline consumption and the failure of the advanced biofuel industry to produce adequate amounts of second-generation biofuels as Congress had anticipated.

Finally, in order to make the program more sensitive to market realities, EPA should take comment and act to move the point of obligation to more closely align with point of compliance.

Thank you for this opportunity.