



RFS TALKING POINTS

Restore the demand destruction from Small Refinery Exemptions

While EPA says it is proposing to maintain the 15-billion-gallon conventional blending target for the 2019 Renewable Volume Obligations (RVOs) under the Renewable Fuel Standard (RFS), in reality, the issuance of dozens of Small Refinery Exemptions will reduce ethanol blending far below 15 billion gallons. The proposed rule is a missed opportunity to reallocate the 2.25 billion gallons EPA has waived through Small Refinery Exemptions issued for the '16 and '17 RVOs.

The practical effect of issuing so many “hardship” waivers is that it allows refiners to keep the Renewable Identification Numbers (RINs), which are attached to every gallon of ethanol produced to help track compliance with the RFS, essentially a proof of purchase coupon. This inflates the size of the RIN carryover; which EPA notes has swollen to more than 3 billion gallons due to the unprecedented number of waivers the Agency has handed out like candy to refiners. When the RIN supply swells, RIN prices fall. D6 RIN prices began 2018 at nearly 70 cents. EPA's demand destruction activity has collapsed the price of D6 RINs to approximately 20 cents. When RIN prices fall this dramatically it reduces the economic incentive for obligated parties to blend ethanol with their gasoline.

The waiving of these gallons reduces the demand for corn to the tune of around 800 million bushels causing an estimated economic hit of nearly \$6 billion to corn farmers and renewable fuel producers.

Unless and until EPA reallocates the waived volumes, Agency actions continue to disregard President Trump's campaign promise that ‘the EPA should ensure that biofuel blend levels match the statutory level set by Congress under the RFS.’

Farm and biofuel organizations have joined forces to [challenge](#) certain Small Refinery Exemptions in Court and to [petition](#) EPA to account for lost volumes of renewable fuel resulting from the unprecedented number of retroactive Small Refinery Exemptions granted by the agency.

The rural economy is hurting – EPA needs to restore blending volumes to statutory levels

The RFS helps boost demand for crops and prices received by farmers. Ethanol production has become a vital market for U.S. agriculture and supports 360,000 jobs in rural communities. But oil companies have launched attacks on ethanol in an effort to undermine the RFS. [History shows undermining the RFS hurts rural America](#). In 2013, refiners convinced EPA to waive volumes below levels established by Congress. Net farm income began falling once EPA took the RFS off-track.

ACE and others were forced to file a petition for review (Americans for Clean Energy et al. vs. EPA). [On July 28, 2017](#), the U.S. Court of Appeals for the D.C. Circuit ruled that EPA violated the statute and ordered the Agency to restore the 15-billion-gallon conventional biofuel obligation for calendar year 2016. EPA has yet to follow the Court's instructions leading to 500 million surplus RINs still on the market.

Today, refiners are reporting double-digit profits but the heart of America is being left behind. Farmers are facing their fifth year of prices at or below the cost of production. USDA forecasts conditions will get worse in 2018 as expenses will increase \$3.5 billion while corn cash receipts will fall \$2 billion. According to the Federal Reserve, 12,000 farmers went out of business in 2016 and



farm debt is approaching its highest level since the 1980s farm crisis. Net farm income is expected to sink to its lowest level in 12 years.

It is clear without the RFS farmers and rural America would be in a severe economic crisis. In 2015, the RFS provided a \$14 billion boost to the farm sector. Corn prices averaged just \$3.68 that year, but without the RFS, corn prices would have sunk to \$2.75.

The best way to spur market-based demand for farmers and improve economic conditions in rural America is to increase the production and use of renewable fuels. It is critical EPA restores blending volumes to statutory levels. Growing the renewable fuels market is even more critical given the uncertainty created by efforts to renegotiate existing trade pacts.

EPA is shortchanging cellulosic biofuel growth

The proposal to modestly increase advanced RVOs for 2019 is welcome but EPA's waivers and exemptions have collapsed RIN prices across-the-board discouraging investment in the production and use of cellulosic and advanced biofuels.

When setting advanced and cellulosic volumes, it is not appropriate only to consider gallons produced in prior years. EPA must also consider the development and adoption of technology, including the progress being made with "bolt-on" corn kernel fiber processing. Dozens of existing corn ethanol plants in the U.S. are on track to produce at least 30 million gallons of cellulosic ethanol from corn kernel fiber.

Unfortunately, EPA red tape is creating a regulatory bottleneck which is constraining the production of additional cellulosic ethanol gallons from corn kernel fiber. It can take more than 1,000 days to approve new pathways for cellulosic feedstocks. For plants with approved pathways, EPA appears to be slow-walking the registration process.

EPA must immediately accelerate consideration and approval of cellulosic ethanol registration applications. This would help to immediately put more volumes of cellulosic biofuels online as intended under the RFS and would provide an important added value option for the agriculture economy at this difficult time for the sector. Thus, it would help boost the jobs and economies surrounding the ethanol plants that use the technology.

RVP relief for E15 and higher blends would be the sure "win-win"

A strong rural economy depends upon growing the use of renewable fuels. EPA needs to discard its refiner win-at-all-costs mentality and carry out [President Trump's promises](#) to allow E15 and higher blends market access year-round.

The quickest way to reduce RIN prices is to increase the supply of RINs. The quickest way to increase the supply of RINs is to blend more ethanol. The quickest way to blend more ethanol is to provide Reid vapor pressure (RVP) relief for E15.

Currently, in nearly two-thirds of the geographical U.S., an antiquated RVP limit prevents retailers from selling E15 to their customers in the summer months. [Former Administrator Pruitt acknowledged EPA has legally-defensible options](#) to interpret the statute, fix this problem, and enable the year-round sale of E15. If the Administration is truly looking for a 'win-win' solution to take pressure off RIN prices that doesn't involve dismantling the RFS, the solution is to update the antiquated RVP limit.