

February 24, 2017

The Honorable Scott Pruitt
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Administrator Pruitt:

As leading organizations of the U.S. biofuel and agricultural industries, we appreciate your stated commitment to the Renewable Fuel Standard (RFS). We write today to highlight one of the near-term issues you may be called upon to address – whether to modify the Renewable Fuel Standard’s point of obligation. We want to make clear that we strongly oppose any change to the point of obligation.

As you know, the RFS was enacted to help drive increased use of renewable fuels in the U.S. fuel supply. The levels called for in the statute are meant to spur the transition from E10 to higher ethanol blends in the U.S. transportation fleet. For over three years, the Obama administration’s erroneous interpretation¹ of the RFS has limited the biofuel industry’s growth envisioned by Congress and signed into law by the last Republican administration. This misinterpretation of law has undermined investor confidence and hindered further demand in the marketplace.

As a result, six biofuel groups were forced to sue the Obama administration over this issue, filing its petition for review on January 3, 2016. This litigation is ongoing with oral arguments scheduled for April 2017.

While this issue is being addressed in the courts, the renewable fuels industry has continued to work to expand E15 consumption. The point of obligation is one of the most important remaining tools to help drive higher blends remaining in the RFS. It creates economic incentives for gasoline retailers to offer higher blends such as E15 by providing an economic incentive for increased biofuels blending. Shifting the point of obligation as urged by its proponents would eliminate this incentive. In addition, the

¹EPA’s use of the RFS waiver provision to reduce 2014, 2015, and 2016 volumes is not permissible under the law. The Renewable Fuels Standard included specific, limited, authority for the EPA to adjust the mandated levels specified for in the act. Section 211(o)(7) of the RFS sets out the specific criteria and process that EPA must follow while considering a waiver. Congress provided EPA with an extremely narrow waiver provision to ensure that it would not be misused to undermine the development of the renewable fuels industry. Under this authority, EPA can only waive gallon requirements if it finds: (1) that the RFS would cause “severe economic harm” to the economy or the environment; or (2) if there is an inadequate domestic supply. The Obama Administration improperly interpreted the second part of the waiver authority to look towards distribution infrastructure as a means to lower the statute — even though Congress expressly declined to allow this rationale.

proposed effort to shift the obligation would increase by almost 800 percent the number of entities required to comply with the RFS, creating a new and less efficient market.

The other immediate-term action we ask you to address is the Reid vapor pressure regulatory restriction on E15. We encourage you to also act on this swiftly so that consumers have access to low-cost, environmentally-friendly E15 year-round.

The continued growth of ethanol use in the United States is important to our energy security and rural economies. Ethanol production is a critical market for U.S. farmers. U.S. corn production has increased from 11.2 billion bushels in 2004 to 15.4 billion in 2016 – a 27.5% increase. Ethanol production, spurred by the RFS, has become an important buyer of this increased production. In 2015, ethanol producers purchased approximately 35% of the corn produced in the United States using approximately 24% of the crop to produce 15.1 billion gallons of ethanol and returning the remaining 11% to the livestock feed market as high quality distillers grains. This has helped stabilize commodity prices and rural economies over the last decade.

That said, the productivity of U.S. farmers continues to increase. Corn production continues to rise and increased demand is critical to the continued economic well-being of rural America. As growth in the ethanol sector has slowed, corn surpluses are putting pressure on prices and rural economies. According to USDA, net farm income has dropped from \$123.7 billion in 2013 to \$66.9 billion in 2016 – a decrease of 46%. From 2015 to 2016 alone, net farm income has fallen 17.2 percent. Farm sector equity decreased \$130 billion in 2016. Farm debt rose 5.2 percent in 2016. Agricultural states like Iowa (13.5 million acres of corn worth \$8.7 billion in 2015), Michigan (2.35 million acres of corn worth \$1.2 billion in 2015), Ohio (3.26 million acres of corn worth \$1.9 billion in 2015), and Wisconsin (4 million acres of corn worth \$1.7 billion in 2015) will be hard hit absent increased demand for corn.

While our industry works through the courts to undo the Obama administration's improper implementation of the RFS, the point of obligation is one of the most important tools left to facilitate higher ethanol usage. Changing it would not only further hamper industry efforts to build out E15, it would increase regulatory burdens in the sector and further harm rural economies in key states that supported President Trump because of his promises to create jobs and strengthen the U.S. economy. We encourage you to reject any efforts to move the point of obligation and work with us to lift the RVP regulatory burden on E15. We look forward to working with you to find additional ways to drive renewable fuels use and rural economic productivity and use moving forward.

Advanced Biofuels Business Council
Growth Energy

American Coalition for Ethanol
National Farmers Union