May 1, 2015

The Honorable Gina McCarthy
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Ave. NW
Washington, DC 20460

The American Petroleum Institute[1] (API) and the American Fuel & Petrochemical Manufacturers[2] (AFPM) support the methodology that EPA originally proposed for the 2014 RFS, which is consistent with statute and the intent of Congress, and urge you to maintain this reasonable approach when promulgating the RFS requirements for 2014, 2015, and beyond.

The U.S. refining industry supports regulations and policies for reliable, affordable transportation fuels that meet consumer needs consistent with automobile and engine manufacturers' recommendations, and are compatible with transportation fuel infrastructure. The U.S. has reached the E10 blendwall and the gasoline supply is currently saturated with the maximum amount of ethanol that can safely be blended without posing risks to the vehicle fleet, refueling infrastructure, and vehicle warranties. E85 is not a solution to the ethanol blendwall as it can only be used by flex-fuel vehicles, comprising just 6% of the vehicle fleet, and because fewer than 2% of retail stations offer the fuel. E15 is not a solution because vehicle manufacturers do not recommend its use in most vehicles on the road, and may not provide warranty coverage for damage resulting from E15 use (see attachment). E15 is also limited by fueling infrastructure incompatibility concerns. Because the ethanol blendwall is such a critically important issue to the refining industry, fuel retailers, engine manufacturers and fuel consumers, EPA must acknowledge these realities in the upcoming rulemakings.

---

[1] API is the only national trade association representing all facets of the oil and natural gas industry, which supports 9.8 million U.S. jobs and 8 percent of the U.S. economy. API's more than 625 members include large integrated companies, as well as exploration and production, refining, marketing, pipeline, and marine businesses, and service and supply firms. They provide most of the nation's energy and are backed by a growing grassroots movement of more than 25 million Americans.

[2] The American Fuel & Petrochemical Manufacturers is a national trade association representing virtually all U.S. refiners and petrochemical manufacturers. AFPM's refinery members operate 122 U.S. refineries comprising approximately 98% of U.S. refining capacity. AFPM members are obligated parties under the RFS.

When the Energy Independence and Security Act (EISA) was enacted in 2007, the Department of Energy's Energy Information Administration (EIA) forecasted that gasoline demand would continue to increase to 156 billion gallons in 2015 and 172 billion gallons in 2022. Against this backdrop of increasing demand, the statutory volumes of conventional renewable fuels and ethanol could have been accommodated without encountering the ethanol blendwall. Reality is much different – EIA's most recent gasoline demand prediction is 11% lower for 2015 and 26% lower in 2022.[3] Fortunately, Congress provided a waiver mechanism enabling EPA to adjust the schedule of increasing volume standards to address unforeseen situations like the ethanol blendwall. It is necessary that EPA recognize that the statutory schedule of renewable fuel volume increases is unsustainable. EPA should utilize the waiver authority to protect consumers and our economy. Reversing course on the RFS implementation methodology during 2015, 2016 and beyond would create significant uncertainty in the marketplace and risk widespread economic harm.[4]

It is important to note that API and AFPM support the use of ethanol as a gasoline additive in concentrations up to 10 percent. Ethanol provides octane, extends gasoline supplies, and has blending characteristics that allow for efficient production of Reformulated Gasoline (RFG). Meanwhile, it should be acknowledged that most first generation biofuels do not provide lifecycle greenhouse gas emissions reduction benefits, and may actually have deleterious impacts on air quality, water, and food. These facts show there is little risk in erring on the low side when setting the renewable fuel volumes, but substantial risk in setting them too high. For this reason, EPA must recognize in its upcoming rulemakings that exceeding the ethanol blendwall could restrict the availability of domestic transportation fuels and threatens to negatively impact our economy.[5]

Regarding biomass based diesel, the 2014, 2015, and 2016 volume standards should be finalized at the 2013 level of 1.28 billion gallons per year. The statute states that "The Administrator shall promulgate rules establishing the applicable volumes under this clause no later than 14 months before the first year for which such applicable volume will apply."[6] The earliest compliance year for which the EPA could establish an increased volume of biomass based diesel would be 2017, assuming that the final standard is issued by November 1, 2015.

---

[3] EIA. "Annual Energy Outlook 2015." April 14, 2015.
[4] NERA Economic Consulting, "Economic Impacts Resulting from Implementation of RFS2 Program." October 2012.
[5] Ibid.
[6] U.S.C. 7545(o)(2)(B)(ii)

The production of cellulosic biofuels remains well below the statutory levels, and the cellulosic industry is unlikely to achieve significant commercial production volumes in the foreseeable future. Congress recognized that its cellulosic volume targets were aspirational, and included a reality check – a waiver provision requiring EPA to lower requirements to the projected volume available, and to offer waiver credits as a consumer–protection mechanism. Consistent with judicial direction,[7] large cellulosic biofuel waivers will continue to be necessary to ensure refiners are not mandated to purchase fuels that simply do not exist.

In conclusion, Congress provided the authority to adjust the statutory volume standards when implementation of the RFS would severely harm the environment, the economy, or result in an inadequate domestic supply. EPA must recognize that exceeding the ethanol blendwall could restrict the availability of domestic transportation fuels. It is appropriate and necessary for EPA to utilize the waiver authority to protect consumers and the U.S. economy. The RFS is fundamentally flawed and imposes economic costs without environmental benefit. We will continue to advocate for Congress to repeal or significantly reform the RFS. Until legislative changes occur, we urge you to acknowledge these issues in the upcoming rulemakings and maintain a common sense approach to implementing the RFS.

Sincerely,

Louis Finkel
Executive Vice President
American Petroleum Institute

Brendan E. Williams
Executive Vice President
American Fuel & Petrochemical Manufacturers

cc: Members of the 114th U.S. Senate

Attachment

[7] API vs. EPA. U.S. Court of Appeals for the D.C. Circuit. January 25, 2013.

Attachment

Most Vehicle Manufacturers Do Not Recommend Using 15% Ethanol Blends (E15)

Manufacturer	Model Year														
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
BMW	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Chrysler	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Ford	No	No	No	No	No	No	No	No	No	No	No	No	Yes	Yes	
GM	No	No	No	No	No	No	No	No	No	No	No	Yes	Yes	Yes	Most[4]
Honda/Acura	No	No	No	No	No	No	No	No	No	No	No	No	No	Some[1]	
Hyundai/Kia	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Jaguar	No	No	No	No	No	No	No	No	No	No	No	No	No	Yes	
Land Rover	No	No	No	No	No	No	No	No	No	No	No	No	No		
Mazda	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Mercedes	No	No	No	No	No	No	No	No	No	No	No	No	No	Some[2]	Some[5]
Mitsubishi	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Nissan	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Subaru	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Toyota/Lexus	No	No	No	No	No	No	No	No	No	No	No	No	No	Some[3]	Most[6]
VW/Audi/Porsche	No	No	No	No	No	No	No	No	No	No	No	No	No	Yes	
Volvo	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No

Auto Manufacturers and Models Recommendations for E15 Use in Non-Flex Fuel Vehicles (January 2015)
Source: http://www.edmunds.com/ownership/howto/articles/120189/article.html and auto company contacts

[1]Accord, Civic, Crosstour, CR-V, CR-Z, Insight, Odyssey, Pilot; Acura: ILX, MDX, RDX, RLX, but not Ridgeline, TL, TSX

[2]C, CLA, CL, E, GL, GLK, M, S, SL, SLK, but not CLS, G, SLS AMG

[3]Avalon, Camry, Corolla, Highlander, iQ, Prius, RAV-4, Scion tC, Sienna, Venza; Lexus: CT200H, ES350, GS300/350, GS450H, IS250, IS350, LS460, RX350, RX450H,
but not 4Runner, FJ Cruiser, Land Cruiser, Sequoia, Tacoma, Tundra, Yaris; Lexus: IS250C, IS350C, IS F, GX460, LX570

[4]Not Chevrolet City Express

[5]GL, M, S Sedan, SL, SLK, but not C, CLS, E, G, GLA, GLK, S Coupe, SLS AMG

[6]Not xB, FRS