

**Oral Statement of Bob Greco
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Before the House Energy and Commerce Subcommittee on
Energy and Air Quality**

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API welcomes this opportunity to present the Subcommittee with the views of the U.S. oil and natural gas industry on renewable fuels.

We have also welcomed working with both the Subcommittee and the full Committee on global climate change. As research and the policy debate continue, our member companies are taking action now to reduce greenhouse gas emissions, and are investing in and developing technologies that will reduce them even more in the future. API supports voluntary, technology-based approaches that have produced substantial progress towards addressing emissions.

Concerning renewable fuels, API supports a realistic and workable RFS. Our industry is the nation's largest user of ethanol and is increasing the volume of renewable fuels in America's transportation fuel mix. The industry significantly exceeded the 2006 RFS requirement of 4 billion gallons of renewables and, according to EIA estimates, should exceed the 2007 requirement as well.

The existing RFS requirements have attracted substantial and significant investment capital to increase ethanol production. At the same time, innovative new approaches to producing and utilizing biofuels for transportation are underway.

The most economical and practical use of ethanol is as E10, a 10 percent blend in gasoline. E-10 is already used in many parts of the country. It requires no modifications to vehicles, no major changes to service station pumps and storage tanks, and has a long history of successful use by consumers.

E-85, a transportation fuel containing 85 percent ethanol and 15 percent gasoline, is an alternative fuel that faces significant technological and economic hurdles. E-85 requires specially built “flexible fuel vehicles,” or FFVs, which currently comprise only 3 percent of the existing fleet of 220 million vehicles. EIA estimates that FFV penetration will not rise above 10 percent of the entire vehicle fleet until sometime after 2030. E-85 also requires special service station pumps and storage tanks, which represent a significant expenditure by our nation’s independent service station dealers that can range from \$20,000 to as high as \$200,000.

These small businessmen and women are in the best position to evaluate consumer demand for E-85 at their service stations.

Currently, there are over 1,000 retail outlets nationwide, located principally in the upper Midwest, that are equipped to distribute E-85. The number appears to be growing rapidly on its own, absent any government mandate. Contrary to the false claims by some industry critics, oil companies are not preventing the installation and use of E-85 pumps and storage tanks.

Although no one knows the precise amount, at some point in the not too distant future, limits on domestic corn ethanol production will be reached. Too little attention is being paid to the transition from that point forward, especially impacts associated with a delay in mass-scale production of cellulosic ethanol. Given the limited likelihood that cellulosic technologies can begin providing sizable volumes of ethanol in five years, contingency provisions will likely be needed to avoid the potential for wasted resources and increased costs.

API offers these specific comments concerning possible renewable fuels legislation:

First, restrictions on federal requirements in the Energy Policy Act of 2005, or EPACT, should continue. A federal alternative or renewable fuels mandate should not have a per-gallon requirement; should not require any particular alternative fuel to be used to meet a mandate; should not require an alternative fuel to be used in any particular geographic area; and should not require an alternative fuel to be made from a particular feedstock or restrict the use of any feedstock or processing scheme.

Second, states and localities should be preempted from setting alternative or renewable fuel mandates. There should be an explicit, complete federal preemption of states from setting alternative fuel standards or controls of any type, or, in lieu of an explicit preemption, restrictions on state latitudes could be enacted.

Third, EPA should be provided additional authority to grant temporary waivers during supply emergencies.

- There should be federal preemption of existing state fuel and ASTM performance regulations when a waiver is issued during a supply emergency, such as Hurricanes Katrina and Rita.

- There should be emergency waiver authority for up to 90 days. The 20-day limit for waivers provided in EPACT is adequate for most situations but proved inadequate during Hurricanes Katrina and Rita.
- Waiver authority should also remain with the EPA Administrator. To change authority to the President would prevent speedy implementation of waivers, as was intended under EPACT.

Lastly, any mandates for increased alternative or renewable fuel usage should be accompanied by periodic technology and feasibility reviews that would allow for appropriate adjustments to ensure that energy companies and consumers are not penalized if economic and technical hurdles prevent us from reaching alternative or biofuels usage targets.

API and its member companies stand ready to work with the Subcommittee to provide additional information or assistance on the issues I have addressed. Thank you.