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December 11, 2018

The Honorable John Shimkus
Chairman
Subcommittee on Environment
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Paul Tonko
Ranking Member
Subcommittee on Environment
2322A Rayburn House Office Building
Washington, DC 20515

Re: The 21st Century Transportation Fuels Act

Dear Chairman Shimkus and Ranking Member Tonko:

The American Petroleum Institute (API) is the national trade association that represents all aspects of America's oil and natural gas industry. Our more than 625 corporate members - from fully integrated major oil and gas companies to independent companies - come from all segments of the industry. These companies are producers, refiners, suppliers, marketers, pipeline operators and marine transporters as well as service and supply companies that support all segments of the industry, and they provide most of our Nation's energy.

API appreciates your leadership and that of the members of this committee for the time and attention you and your staffs have taken to recognize the problems created by the Renewable Fuel Standard (RFS) and to examine potential remedies responsive to the concerns of market participants, especially the American consumer. API is committed to continuing to work with you and any other policymakers who seek to constructively address the problems associated with the RFS. However, we cannot support the 21st Century Transportation Fuels Act discussion draft in its current form. The following letter outlines our major concerns with key provisions of the discussion draft that serve as the basis for our opposition at this time. Significant modifications of the draft will be necessary to effectively reform current law and address the fundamental problems at the core of the RFS.

The current draft proposes a sunset of the conventional portion of the RFS at the end of 2022, but the advanced biofuel mandate continues for another decade. Any comprehensive solution must include a sunset of the entire RFS program before any potential replacement mandate, such as a high-octane standard, is considered. In the absence of biofuel mandates, we believe that the prospect of a higher-

octane gasoline is an idea worthy of consideration that should weigh the overall potential costs and benefits to market participants throughout the value chain, including the driving public.

API continues to believe that the RFS should sunset in its entirety by the end of 2022. Mandates and subsidies distort the free market and ultimately increase costs to consumers. For more than a decade already, the RFS program has mandated the use of biofuels, and fuel suppliers have responded by building out the necessary infrastructure to blend ethanol and biodiesel into our nation's fuel supply. First generation biofuel technologies matured during this time period and no longer require the support of government mandates. Further, experience demonstrates that mandates have not been effective for technologies that require additional research and development to achieve the production of commercially available quantities.

API opposes legislation that would establish a 15 billion gallon per year mandate for corn ethanol. It is not feasible for our domestic gasoline market to consume 15 billion gallons of ethanol in 2019 due to limitations with the existing vehicle fleet. It would also be infeasible and prohibitively expensive to modify the thousands of retail stations that would require new E15 compatible storage and dispensing systems. With projected decreases in gasoline demand, even less ethanol can feasibly be consumed in future years. Until the RFS program is sunset, new legislation should not put additional pressure, like the 15 billion gallon corn ethanol mandate, onto an already complicated program. The current nested structure of the mandate provides compliance flexibility by allowing advanced biofuels to substitute for conventional biofuels in meeting the total renewable fuel requirement. This structure is critical to meeting the mandate until the RFS sunset date is reached.

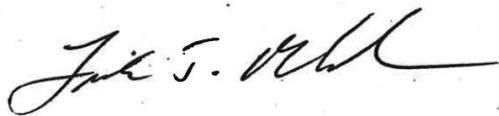
There are serious vehicle and infrastructure compatibility issues associated with the use of E15 in the legacy fleet. Similarly, API does not support circumventing the "substantially-similar" waiver process under the Clean Air Act for fuels blended with 20 percent ethanol. There are significant misfuelling risks with ethanol blends above 10 percent. In addition, we are concerned that the combined impact of the draft legislative provisions may lead to a de facto mandate for ethanol blends up to 20 percent. Namely, directing EPA to approve a 98 RON certification fuel, combined with a NAS study on octane sensitivity, combined with a substantially similar waiver for E20, would ultimately limit consumer choice at the pump and may leave legacy vehicle owners with few, if any, compatible fuel choices by forcing the market to adopt high level ethanol blends.

We believe that the RFS program is outdated and broken, and we support bipartisan efforts in Congress to sunset the program. The key assumptions made in 2007 when the Energy Independence and Security Act (EISA) was enacted have since proven in conflict with commercial and technical realities. Congress expected 1) continued, significant growth in fuel demand, 2) increased reliance on imported petroleum, and 3) rapid development of next-generation advanced and cellulosic biofuel technologies. None of these three expectations came true, which is why the current RFS is incongruent with today's reality. As a result of technological advances by the domestic oil and natural gas industry, U.S. energy security has

meaningfully improved, and petroleum imports have declined. Ethanol and other biofuels have only marginally contributed to these goals. According to the Department of Energy's Energy Information Administration (EIA), the RFS "played only a small part in reducing projected net import dependence."¹

We appreciate your leadership in seeking to address the problems presented by the RFS program and look forward to continuing to work to find legislative solutions that benefit all stakeholders, especially American motorists.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank J. Macchiarola". The signature is fluid and cursive, with a long horizontal stroke at the end.

Frank J. Macchiarola
Vice President, Downstream & Industry Operations
American Petroleum Institute

¹ Howard Gruenspecht, Deputy Administrator, Energy Information Administration Before the Committee on Environment and Public Works. February 24, 2016