

Good morning and thank you for joining the call.

As EPA prepares to release its proposed rulemaking for year-round E15 gasoline sales and biofuels credits reform, API is urging the administration to rethink these anti-consumer policies.

API commissioned an analysis prepared by Covington & Burling to better understand the market behavior and consumer impacts of EPA's proposed reforms. The report we are releasing today makes clear that the administration's reform proposal for biofuels credits, known as Renewable Identification Numbers or RINs, under the Renewable Fuel Standard (RFS), both misdiagnose the problem and provide misguided and counterproductive cures. The structural changes under consideration in an attempt to increase transparency in the RINs market are likely to do more harm than good. Furthermore, the EPA has already enacted improvements to the program that improve transparency for market participants, which we have commended them for doing. However, it also means that this new proposed reform is redundant and unnecessary.

This analysis confirms the previous findings of the EPA and independent analysts that refined product prices reflect the cost of obtaining RINs. All refiners are challenged to comply with the RFS. The notion that some refiners are structurally disadvantaged is not justification to overhaul the RIN program that has been in place since 2007.

As we have discussed frequently, the RFS is a broken program that needs significant reform but parties have made capital investments and business decisions under the existing program structure. While the RIN market can be volatile, volatility alone is not an indicator of market manipulation or irrationality. As this new report shows, RIN prices tend to react to information regarding EPA's demand for RINs, which is directly related to EPA's approach to setting annual renewable fuel volumes. And RINs do not behave like energy or other commodity markets, nor should they - RINs are compliance credits, where EPA demands RINs regardless of price, and there are no substitutes.

The ethanol blendwall is the fundamental structural problem with the RFS and it should be highlighted that RIN reform does nothing to address it. If EPA fixes the blendwall by setting feasible volume standards, then the problems these reforms are purporting to address, should go away.

Attempts to cherry pick certain aspects of the RFS for reform is more evidence that the entire program is a failure. The outdated RFS mandate was premised on the faulty assumptions of ever-increasing gasoline demand and reliance on foreign sources of oil, and the near-term commercial availability of advanced and cellulosic biofuels. History has proved these assumptions wrong, and today we are faced with an energy policy that pushes for ethanol volumes that exceed the capability of the majority of the vehicle fleet and refueling infrastructure.

As EPA develops its rulemaking to implement some RIN reform measures, the agency should acknowledge that it has taken steps already to increase RIN transparency in its online database. It would be premature to establish new rules that restrict RIN trading when neither the Commodity Futures Trading Commission (CFTC) nor EPA have found market misbehavior.

Last year, President Trump directed EPA to initiate a rulemaking to extend the one-pound RVP waiver to ethanol gasoline blends up to 15 percent allowing for year-round sale of the fuel. API has already made clear that we agree with the EPA's previous decisions that such action is outside the scope of their authority, and API will consider all legal options should EPA finalize this rule.

API continues to support legislative RFS reforms to address the blendwall problem. But we also understand the current political realities and that EPA has a duty to set realistic standards to alleviate current problems. As a result, we continue to encourage EPA to use its authority to reduce the volume requirements. EPA's E15 and RIN reform rulemaking is critically flawed. Putting the desires of the ethanol industry and a small segment of the refining industry ahead of U.S. consumers is bad policy. EPA should not release either element of this proposed rule. Instead, we urge EPA to focus its attention on protecting consumers from the potential damage to their vehicles that E15 use presents, and to help fix the broken RFS.

Thank you and I'll be happy to take your questions.