

## RFS Public Hearing: API Testimony

Ypsilanti, MI, July 30, 2019



Good morning and thank you for the opportunity to testify today. I am Patrick Kelly, Senior Fuels Policy Advisor at The American Petroleum Institute. API is the only national trade association representing all facets of the oil and natural gas industry. API's 628 members include large integrated companies, as well as exploration and production, refining, marketing, pipeline, and marine businesses, and service and supply firms.

### Blendwall

Our members' primary concern with the RFS is the ethanol blendwall. The increases in gasoline demand projected at the inception of the RFS2 in 2007 did not materialize, nor did the commercialization of cellulosic biofuels. The ethanol blendwall is a real constraint on the fuel supply system that will limit the use of ethanol for the foreseeable future. Serious vehicle and retail infrastructure compatibility issues continue to exist with gasoline containing more than 10 percent ethanol. Congress provided EPA the authority to further reduce the 2020 volumes to avoid negative impacts on America's fuel supply and to prevent harm to American consumers.

### Small Refinery Exemptions

The RFS is a burden on all refiners, regardless of size, with costs that ultimately impact consumers. EPA should reject calls to reallocate volumes from exempted small refineries onto other obligated parties. Reallocating small refinery obligations punishes complying parties and creates an unlevel playing field among competing refineries putting additional pressure on the blendwall and increasing the overall cost of the program.

According to ethanol production and consumption data from EIA, ethanol demand has remains strong since 2016, showing that increased small refinery exemptions have not materially impacted the amount of ethanol blended into the domestic gasoline pool.

### Increases to the Implied Ethanol Volume

Biofuel stakeholders have been calling on EPA to artificially increase the renewable fuel requirements to account for past small refinery exemptions, bankruptcy agreements, and the

court's remand of the waived 2016 volume. EPA should finalize standards that recognize it is simply not possible to go back in time and induce demand for a prior year.

Increasing the implied ethanol mandate above 10% of the gasoline pool does not equate to more ethanol consumption. The blendwall has constrained annual domestic ethanol use, and despite the recent regulatory action to extend the one-pound RVP waiver to E15, the primary impediments to broader use of E15 remain. Nearly 70% of vehicles on the road today were not designed for E15, and E15 is not compatible with much of the retail refueling infrastructure. EPA should not rely on E15 or other higher blends of ethanol to justify ethanol volumes that exceed 10% of gasoline supply in 2020.

#### Advanced Biofuel Standards and Biomass-based Diesel standard for 2021

EPA set an aggressive advanced biofuel target for 2019, and the estimated carryover bank of advanced biofuel RINs decreased significantly. In 2020, Biomass-based diesel is set to increase to 2.43 billion gallons and is expected to fill the gap intended for *other* advanced biofuels, and the gap in the general renewable category where ethanol is limited by the E10 blendwall. We urge EPA to reduce the advanced biofuel mandate for 2020 to an achievable level, and to reduce the biomass-based diesel standard in 2021.

#### Conclusion

In closing, the proposed volumes are an annual example of a broken government program. Until Congress fixes the RFS through legislation, EPA has the unenviable task of implementing an infeasible mandate. We urge the agency to reject the demands for ever-increasing renewable fuel volumes and act in the best interest of consumers by setting standards that are reasonable, achievable, and fair for all stakeholders.

Thank you again for the opportunity to discuss these issues, and I am happy to answer any questions.