Good morning and thank you for the opportunity to testify today. I am Frank Macchiarola, Vice President Downstream and Industry Operations at The American Petroleum Institute. API is the only national trade association representing all facets of the oil and natural gas industry.

E15 RVP Waiver

EPA’s proposal to extend the RVP waiver to E15 is an anti-consumer policy that goes beyond EPA’s statutory authority and should be withdrawn. Nearly 3 out of 4 cars on the road are not designed to use E15, and vehicle testing demonstrates that engine and fuel system damage may result from using E15 in 2001 and newer vehicles that are not designed for its use. Refueling infrastructure incompatibility continues to be a concern. EPA’s Office of Underground Storage Tanks recently concluded that sealants used on threaded connections at retail gas stations made before 2007 are probably not compatible with ethanol blends above 10 percent, and E15 incompatible sealants continue to be used in much of the market.

To be clear, API is not opposed to using E15 or other ethanol blends in vehicles and infrastructure designed for their use. But EPA is pursuing a policy that puts consumers’ vehicles at risk, potentially forcing them to pay for expensive car repair bills, by pushing E15 into the market before it is ready.

RIN Reform:

EPA’s proposal to reform the RIN market is a solution in search of a problem. The proposal states that the Agency has “yet to see data-based evidence of manipulation in the RIN market.” EPA has access to every RIN transaction in the EMTS system and it has an established Memorandum of Understanding with the CFTC under which it
has shared RIN transaction data to facilitate an investigation. Consequently, EPA’s assertion that there is no evidence of RIN market manipulation is certainly not grounded on a lack of data or analytical tools.

Although RIN prices can be volatile, volatility alone is not an indicator of manipulation or misbehavior. RIN prices have tended to move based on information indicating how EPA implements the program, and how aggressively EPA is willing to test the limits of the ethanol blend-wall.

The blendwall is the fundamental structural problem with the RFS and RIN reform does nothing to address it. EPA can fix the purported problems these reforms are intended to address by setting feasible annual volume standards that recognize the vehicle and infrastructure limitations to using more ethanol. Blocking access to the market, forcing entities to enter into uneconomic transactions, and disclosing the competitive information of some parties and not others are not measures that prevent RIN market manipulation. On the contrary, these so-called reforms are market manipulation, in a form that is officially sanctioned by the EPA.

**Conclusion:** This proposal is the result of the President’s desire for a “win-win” deal on the RFS. But it is consumers who stand to lose the most. 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.
Putting the desires of the ethanol industry and a small segment of the refining industry ahead of U.S. consumers is bad policy. We are also deeply concerned by recent reports that this proposal has been rushed through the review process departing from the usual course of analysis in order to meet an arbitrary deadline. This is not the way an effective regulatory process is supposed to work. EPA should not finalize 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.