RENEWABLE FUELS ASSOCIATION

Thursday, August 22, 2019

The Honorable Andrew Wheeler
Administrator
Environmental Protection Agency
1200 Pennsylvania Ave NW
Washington DC 20004

Dear Administrator Wheeler,

I was shocked by reports this week that a spokesman for the Environmental Protection Agency (EPA) claimed there is "zero evidence" that small refiner exemptions (SREs) from Renewable Fuel Standard (RFS) compliance obligations have had "any negative impact on domestic corn ethanol producers." Such a crass statement is entirely at odds with the facts, and demonstrates a woeful lack of understanding about the actual marketplace implications of EPA's decision to approve SRE petitions.

The U.S. ethanol industry has indeed been negatively impacted by the dramatic increase in SREs that have been issued by your Agency. U.S. ethanol consumption in 2018 was far below the level forecast by the U.S. Energy Information Administration (EIA) at the start of the year. Further, 2018 domestic ethanol consumption fell from 2017 levels—the first year-over-year decline in 20 years. Ethanol's share of U.S. gasoline consumption (the "blend rate") also fell in 2018 relative to 2017, likely the first-ever annual decline in the blend rate.

These impacts are continuing in 2019. Domestic ethanol consumption is on pace to be 450 million gallons lower this year than initially expected by EIA, which now "assumes growth in higher-level ethanol blends is limited in the near-term by recent Small Refinery Exemptions…" Moreover, ethanol prices are severely depressed, profit margins have turned negative, corn use by ethanol plants is falling, and the U.S. ethanol industry is curtailing production.

On the very same day your Agency suggested there is "zero evidence" of demand destruction, two major ethanol producers announced they were idling production. This means the total number of plants that have temporarily or permanently shuttered production since EPA began to massively expand the SRE program now stands at 15. Each of those facilities directly employed 40-50 workers and supported hundreds more jobs throughout the economy.

In fact, in the week following EPA's August 9 announcement that 31 more SREs had been approved, ethanol prices plunged 18 cents per gallon (12 percent), corn prices fell 47 cents per bushel (11 percent), and RIN credit values dropped from the already-low level of 20 cents to just 12 cents (43 percent). All told, the August 9 announcement alone could result in a staggering $10 billion transfer of wealth from the agriculture and biofuel sectors to the oil industry. There's your evidence of demand destruction.

I am attaching a short background document providing further evidence of SRE-induced demand destruction. I respectfully encourage you to review this information, especially the statements of numerous ethanol company executives regarding the negative impacts of SREs. No one is more qualified to provide perspective on the economic impacts of SREs than those who participate in these markets every day. I hope you take their views to heart and ask your staff to revisit whatever analysis it conducted that ultimately led to the absurd conclusion of "zero evidence" of negative market impacts from SREs.

Thank you for your consideration of this information and I would appreciate the opportunity to further discuss this matter with you soon.

Sincerely,

Geoff Cooper

Geoff Cooper
President and CEO
Renewable Fuels Association

cc:
Secretary of Agriculture Sonny Perdue
Secretary of Energy Rick Perry