

**TESTIMONY OF
BOB DINNEEN
PRESIDENT & CEO, RENEWABLE FUELS ASSOCIATION**

U.S. ENVIRONMENTAL PROTECTION AGENCY
PUBLIC HEARING
RE: PROPOSED RULE FOR 2017 RENEWABLE VOLUME OBLIGATIONS
(DOCKET No. EPA-HQ-OAR-2016-0004)

KANSAS CITY, MO
JUNE 9, 2016

Good morning. My name is Bob Dinneen and I am President and CEO of the Renewable Fuels Association (RFA), the ethanol industry's leading trade association and a staunch supporter of the Renewable Fuel Standard (RFS).

The RFS has been a tremendous success. It has stimulated dramatic growth in the domestic production of renewable fuels, revitalized rural communities across the country, reduced emissions of greenhouse gases and harmful tailpipe pollutants, and lowered consumer fuel prices. And—perhaps most importantly—the RFS has worked effectively to reduce petroleum consumption and introduce competition into the fuel market, which is precisely why the oil industry opposes the program and is calling for its repeal.

In May, when EPA released its draft RFS renewable volume obligations (RVOs) for 2017, an EPA spokeswoman said the agency “set volumes that are ambitious, yet achievable *given the realities of the market*.” Frankly, we do not believe the volumes set for 2017 are “ambitious” or break the blend wall in any meaningful way.

But more importantly, the fact EPA is intent upon allowing “*realities of the market*” to dictate RFS volume requirements reflects a fundamental misunderstanding of the purpose of the RFS. The RFS was designed to **change** the “*realities of the market*.” It was intended to change the way oil companies do business and spur investment in cleaner, low carbon, domestic fuels like ethanol and the infrastructure necessary to accommodate higher biofuel blends. It was designed to give consumers more choices at the pump, lowering gas prices and moving beyond today's market reality where ethanol is used primarily as a gasoline additive to boost octane. The RFS was intended to create a wholly new market reality! The fact that EPA continues to misunderstand this very basic concept is troubling.

Yes, EPA's proposed rule for 2017 renewable volume obligations (RVOs) marks an improvement over the final rule for 2014-2016 RVOs, but it ultimately falls victim to the same legal malady that plagued your last rulemaking. Simply put, EPA continues to allege that “supply” somehow equates to the capacity to distribute or consume renewable fuels. However, the statute does not allow EPA to consider imagined constraints on distribution when deciding whether to utilize a general waiver of the volumes. The intent of Congress

was abundantly clear: if the physical supply of renewable fuel exists to satisfy statutory volumes, then EPA must enforce the consumption of those volumes. And it is beyond dispute that the industry is providing an adequate supply to meet the statutory mandate for conventional biofuels.

Even if distribution capacity was a factor EPA could consider, we have shared detailed analysis with you showing that the market can readily achieve the statutory 15 billion gallon requirement for conventional biofuels in 2017.

The June Short-term Energy Outlook released just this Tuesday raised the 2017 gasoline consumption forecast to 142.9 billion gallons. That means more than 14.2 billion gallons of ethanol will very likely be consumed in E10 blends next year. In addition, the number of stations offering E15 and E85 is expanding rapidly thanks to USDA's BIP program and it is expected that more than 300 million gallons of ethanol will be consumed in E15, E85 and mid-level blends. And your own proposal suggests 400 million gallons of conventional biodiesel and renewable diesel will be consumed, adding roughly 600 million ethanol-equivalent gallons toward compliance with the conventional renewable fuel RVO. Altogether, that puts us over 15 billion gallons of conventional renewable fuel consumption in 2017. (See attached chart)

Clearly, an unobstructed pathway exists to 15 billion gallons in 2017. In your own words, this proposal takes EPA 99% of the way down that pathway. Is avoiding the last 1% of the journey really worth the risk of further litigation and continued conflict with stakeholders in the agricultural, environmental, biofuel, and energy security communities?

Even if a volume slightly less than 15 billion gallons is blended in 2017, obligated parties would still easily comply with the statutory RVO because nearly 2 billion surplus RINs remain available in the market today. It continues to baffle us that EPA has ignored RIN stocks in determining the proposed RVO levels for 2017, and it is completely contradictory to past rulemakings and administrative actions where EPA has clearly viewed RIN stocks as being part of the "available supply" of renewable fuel.

I want to close by addressing some of the myths and misinformation you just heard from some of my fellow panelists and you will no doubt hear again as the day progresses.

First, there is no magical marketplace limit or constraint on ethanol at 9.7%. API, AFPM, PMAA and others suggest exceeding that 9.7% threshold is somehow "dangerous for consumers." Hogwash! In fact, the marketplace has already demonstrated that it can handle much higher levels of ethanol. EIA data show that gasoline consumed in 27 states in 2014 contained more than 9.7% ethanol on average, with 23 states above 10.0% due to small volumes of E15 and E85. Minnesota's average ethanol content was 12.2% in 2014. And in the 74 weeks since the beginning of 2015, the *national* average ethanol blend rate has exceeded the 9.7% level 25 times—more than one-third of the time. In the end, the oil industry's 9.7% "barrier" argument is just one more desperate attempt to add mortar to their so-called "blend wall."

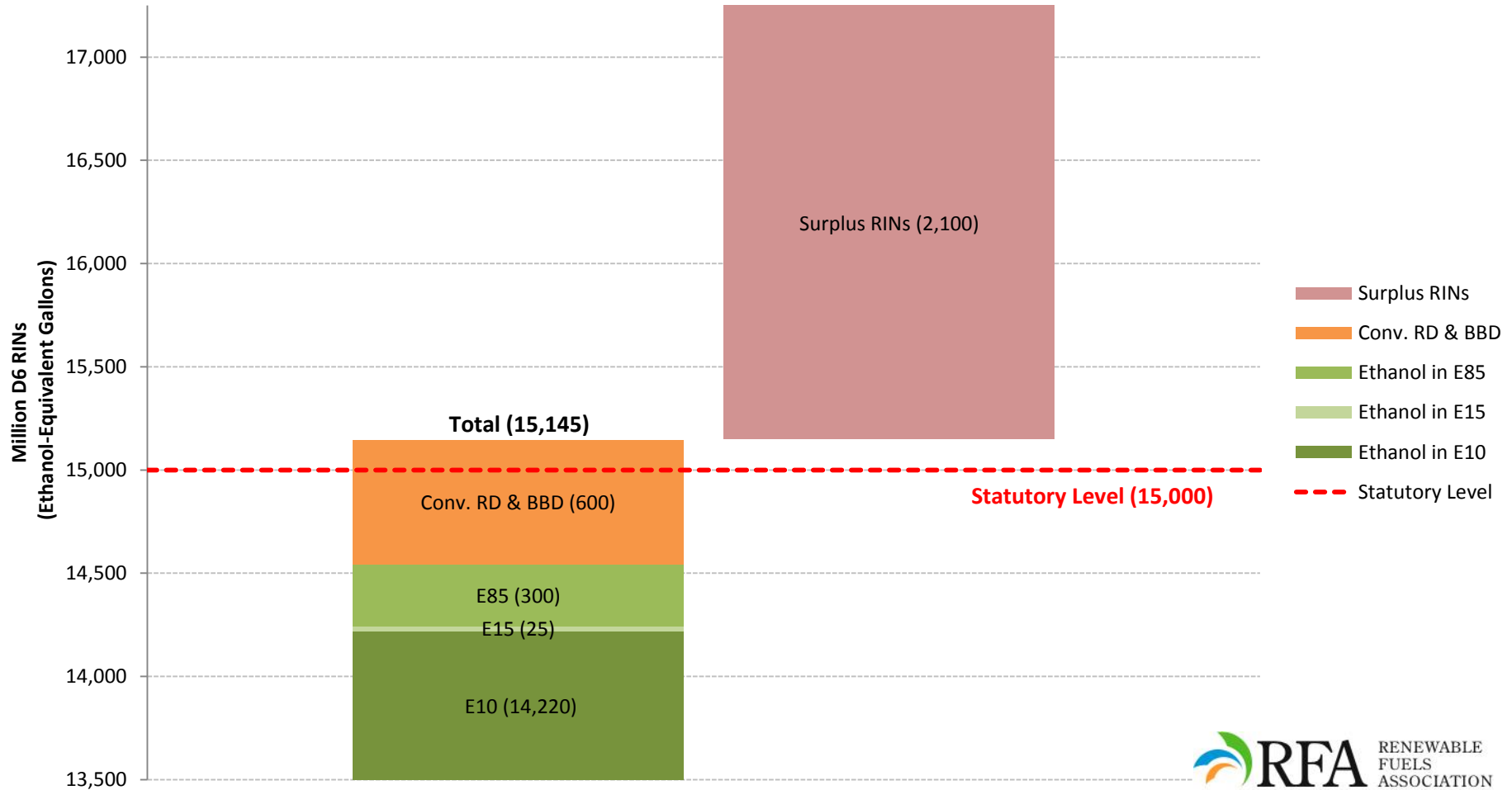
Second, there is absolutely no truth to the argument that boaters and motorcyclists are somehow harmed by the RFS. Either they badly misunderstand the RFS program or they are purposely misleading consumers about what the RFS does and does not do. The RFS is not an “E15 mandate” as they have represented; in fact, it’s not even an ethanol mandate. In any case, every major marine engine manufacturer approves the use of E10 and Mercury Marine has emphasized that “E10 absolutely IS an acceptable fuel for everyday use.”

But if some boaters and motorcyclists really want to buy E0 and don’t mind paying a hefty premium for it, refiners and retailers will continue to make it available to them. That’s how supply and demand works. Nothing in the RFS would prevent a marina or retail station from selling E0.

The bottom line is: the RFS works. The program has been an unequivocal success and has played an important role in reducing petroleum imports, lowering gas prices, improving air quality, and strengthening the economic health of rural America. We encourage EPA to truly put the RFS “back on track” and finalize the 2017 conventional renewable fuel RVO at the 15-billion-gallon statutory level.

Thank you.

Pathway to Achieving 15 Billion Gallons of Conventional Renewable Fuel in 2017



Sources and Notes:

****Conventional Renewable Diesel & Biodiesel:** EPA, 2017 RVO Proposed Rule (Table II.D-1 at 81 FR 34798 shows 400 million “physical gallons” of conventional BBD & RD. A gallon of biodiesel generates 1.5 RINs, while a gallon of RD generates 1.6 or 1.7 RINs. Thus, 400 million x 1.5 (conservative)= 600 million RINs.

****E85/E15:** Based on RFA analysis of existing and imminent stations, along with avg. sales volumes per station. Vols. are largely consistent with EPA scenarios in Table II.E-1 at 81 FR 34800.

****E10:** Based on EIA June 2016 STEO. Adopts EPA assumption of 200 mg of E0 consumption (80 FR 77464)

****Surplus RINs:** Paulson, N. "[2015 Year End RIN Update](#)." *farmdoc daily* (6):42, Dept. of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, March 3, 2016.