

February 25, 2019

Mr. Michael Conner  
Petroleum, Natural Gas, and Biofuels Statistics  
U.S. Energy Information Administration  
Forrestal Building  
U.S. Department of Energy  
1000 Independence Ave. SW, EI-25  
Washington, DC 20585

*VIA EMAIL*

michael.conner@eia.gov  
PetroleumSupplyForms@eia.gov

Re: Comments on Proposed Extension and Changes to the Petroleum Supply Reporting System (83 Fed. Reg. 66688; December 27, 2018).

Dear Mr. Conner,

As the leading trade association for America's ethanol industry, the Renewable Fuels Association (RFA) is pleased to submit the following comments in response to the U.S. Energy Information Administration's (EIA) request for a three-year extension of the Petroleum Supply Reporting System (PSRS) and associated changes.

The RFA supports the objective of the PSRS, as described in the Federal Register notice, to collect data that meets "energy data users' needs for credible, reliable, and timely energy information." At the same time, we believe that the EIA should avoid placing an undue recordkeeping burden on renewable fuel producers, most of which operate only one or a small number of facilities and do not have an extensive administrative staff, as compared to large petroleum companies participating in the PSRS. Accordingly, these comments are intended to strike a balance between the benefits of the information being sought and the burden of providing it, as well as to ensure that the information being collected is properly disseminated to market participants.

As discussed below, the RFA has three general comments related to the survey changes, as well as additional comments regarding specific items on the forms that ethanol producers would be required to complete.

### **Reporting of Additional Data Collected**

The Federal Register notice and supporting documentation provide detail on the requested changes to the PSRS survey forms. However, no such clarity is provided as to how the periodic market reports published by the EIA (e.g., the *Weekly Petroleum Status Report* and *Petroleum Supply Monthly*) will be redesigned to disseminate the data collected through the modified surveys.

It is understood that a redesign of the reports would likely be a second phase of the process. This could result in information being collected but not provided to market participants, at least for a period of time.

We would request that changes to the PSRS survey not be approved (or at least implemented) until clarity is provided about how the data will be disseminated in EIA reports. This will ensure that only the data needed to support the publication of reports or public databases is collected.

### **Reporting of Ethanol Exports on a Weekly Basis**

Ethanol imports are included in the *Weekly Petroleum Status Report* (WPSR), but exports are not. Since the WPSR is the main weekly EIA publication referenced by ethanol market participants, this has created a lack of transparency in supply/demand data available to the market, which has become more problematic as ethanol exports have surged to record levels over the last few years. It can take several weeks before monthly export data are released publicly, allowing more-reliable estimates of domestic consumption to be made.

It is understood that ethanol exports will not be addressed in the PSRS survey changes. Rather, to provide weekly export statistics, the EIA would need to obtain near-real-time data from U.S. Customs and Border Protection (CBP). This is analogous to what has been done for petroleum products since August 2016, as exports of those products rose significantly.

We would like to take this opportunity to strongly urge EIA to seek approval from the Office of Management and Budget (OMB) to obtain this data from CBP and report it in the WPSR.

### **Merging of Forms EIA-819 and EIA-22M and Potential Training on New Form**

In the past, Form EIA-819 *Monthly Oxygenate Report* was brief and generally straightforward. Its replacement, Form EIA-819 *Monthly Biofuels, Fuel Oxygenates, and Motor Gasoline Blending Components Report* is dramatically more lengthy and detailed. This is due in part to the previous

form being merged with Form EIA-22M *Monthly Biodiesel Production Report* and expanded to include other types of biofuels.

The EIA's Survey Development Team (SDT) conducted a series of interviews related to the merging of the two forms. In a redacted summary of the findings, the SDT stated, "Form EIA-819 participants showed difficulty understanding what information to report under each column heading on Parts 3 & 4 of the proposed Form EIA-819 form. ... Most of their confusion comes from the reporting method required by these columns, which forces respondents to report their undenatured ethanol production in one column, the products used to produce their denatured ethanol in the adjacent column, and their denatured production in another column. ... The cognitive research project found that when participants have a brief explanation of what to report under the columns labels, and how to report that information in these columns, participants were no longer confused by the section layout or column labels."

Further, the SDT found that five of 12 participants were unsure as to what to report for the column "production from renewable feedstocks." The report indicated, "The confusion for this column heading was if they should report denatured or undenatured ethanol production." This is important since ethanol production is one of the most elemental items for which Form EIA-819 is intended to collect data.

Given that an ethanol producer would not need to complete most of the sections of the new form (e.g., those on biodiesel and renewable diesel), it is questionable what synergies would be gained from combining Form EIA-819 and Form EIA-22M. Accordingly, we would request that the new Form EIA-819 be redesigned so that ethanol producers continue to be surveyed separately from other biofuel producers.

However, if the EIA does not decide to keep the surveys separate, we would ask that in advance of implementing the use of the new merged form the EIA offer training to employees responsible for completing the form at biofuel-producing companies. This is likely to be more effective than only providing a more detailed instruction form. Given the number of companies that produce renewable fuels, it is recommended that the EIA hold two or three webinars prior to implementation in order to accommodate schedules, and that it hold a webinar every year or two to accommodate new employees that become responsible for completing the form. This will ensure that the data that is collected from the survey is as accurate as possible. The RFA would be pleased to discuss with EIA potential cooperation on holding training sessions.

## **Comments Specific to the Content of Proposed Survey Forms**

### Forms EIA-809 and EIA-819

- In the instructions for the reporting of ethanol production in proposed Form EIA-809, respondents are told to “[e]xclude from production any ethanol intended for beverage, industrial or other nonfuel use.” The instructions for proposed Form EIA-819 similarly say to exclude “cumulative gallons of alcohol intended for use in non-fuel applications.” While it is likely workable for respondents to be able to estimate and exclude volumes of beverage-grade alcohol, it might not be possible to exclude industrial alcohol entirely, particularly product destined for export markets. Most ethanol producers sell their output f.o.b. plant and would not know whether undenatured product that is shipped will eventually be used in fuel or industrial applications in the destination country. The resulting uncertainty by plant representatives about how to classify ethanol production could introduce error into the survey, and since export markets now account for 10% of U.S. production, the level of error cannot be assumed to be negligible. For Jan.-Nov. 2018, undenatured alcohol accounted for 46% of total exports.<sup>1</sup> It is recommended that EIA modify the instructions to exclude only beverage alcohol and Specially Denatured Alcohol (for specific industrial uses), and that the EIA conduct further assessment to determine whether recordkeeping would be sufficient to allow the estimation and exclusion of alcohol destined for domestic industrial uses overall. The same comments would apply to the reporting of stocks.
- The product code (141) for fuel ethanol, which combines denatured and undenatured ethanol in the proposed form, does not match the product codes for conventional fuel ethanol excluding denaturant (195) or denatured fuel ethanol (190) in proposed Form EIA-819. If it has not done so already, the EIA should ensure that this does not lead to inconsistency between the weekly and monthly data and should consider whether/to what degree this will create discontinuity with historical data sets.

### Form EIA-819

- Within Part 4, the first section is labeled “Fuel alcohol (excluding denaturants where applicable).” The use of the term “where applicable” could introduce an element of arbitrariness into how this section is completed. It appears that the EIA could state clearly that most of the line items in that section should be reported on an undenatured basis, and then note how this should be handled for other line items. Otherwise, the EIA should make clear in row headings and in the instructions where denaturant should be included and excluded. Additionally, the next section within Part 4 is labeled “Denatured fuel alcohol.” Given that Part 4 is fundamentally different and more detailed than the previous Form EIA-

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<sup>1</sup> Includes HTS codes 2207106010, 2207200010, 2207106090 and 2207200090

819, the EIA should consider whether the inclusion of separate sections for “Fuel alcohol (excluding denaturants where applicable)” and “Denatured fuel alcohol” might introduce the potential for double-counting. (The issue of reporting denatured versus undenatured ethanol volumes was also raised in the comments about training above.)

- As alluded to above, the number of product codes for various forms of fuel alcohol and related products has multiplied in proposed Form EIA-819, and the codes for ethanol do not match the traditional code (141) still used in Form EIA-809. In order to avoid confusion, the EIA should include in its instructions a table listing the new codes and providing definitions/descriptions for each. A logical place for this might be in the section “Input and Production for Denaturant and Product Blending.” While the example in that section is helpful, it might be more helpful for EIA to provide an example of a fully completed Part 4 and how it ties into underlying operating data from a hypothetical facility.
- For the first time in Form EIA-819, ethanol producers would be asked about feedstock usage. This would be redundant with information the USDA collects for its *Grain Crushings and Co-Products Production* report. However, unlike the USDA report, the EIA would not collect and report data on coproducts. The EIA has not established that the USDA report is insufficient to provide information that is generally “credible, reliable, and timely” to the market, and any divergence in estimates published by the EIA and USDA could add uncertainty to the market. Accordingly, it is recommended that questions about feedstock usage be excluded from Form EIA-819. If there is a compelling reason for feedstock data to be collected, this should be articulated, and a plan to shift reporting from the USDA (along with collection and reporting of coproduct data) should be established so that there are no redundancies or gaps.

Thank you for the opportunity to comment in advance of making the proposed changes to the PSRS surveys. Please do not hesitate to contact me at [srichman@ethanolrfa.org](mailto:srichman@ethanolrfa.org) or (636) 594-2287 should you have questions or wish to discuss these comments more fully.

Sincerely,



Scott Richman  
Chief Economist