

# A Step Forward for the RFS

**Originally passed in 2005 and significantly enhanced in 2007, the Renewable Fuel Standard (RFS) remains the seminal policy undergirding today's ethanol industry. In addition to annually escalating requirements for cellulosic and advanced biofuels, the law requires refiners to blend a minimum of 15 billion gallons of so-called "conventional biofuels" like corn ethanol into the fuel supply each year.**

Unfortunately, inconsistent—and at times tepid—enforcement of the RFS has significantly undermined the program, hindering investments in advanced biofuels and delaying widespread commercialization of flex fuels like E85 and higher ethanol blends like E15. From the Obama administration's failure to promulgate annual Renewable Volume Obligation (RVO) rules for several years to the Trump EPA's indiscriminate and illegal use of small refinery exemptions (SREs), the RFS has never reached its full potential.

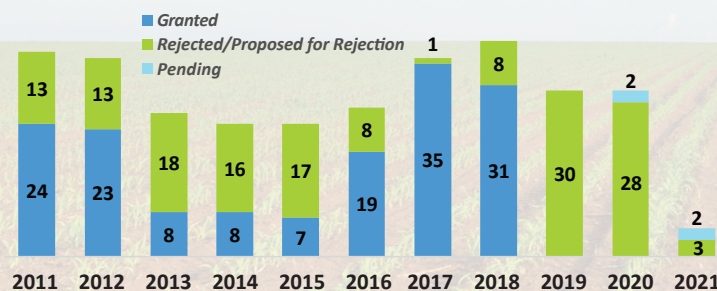
President Biden campaigned throughout the Midwest on the promise of getting the RFS back on track. And in December, the EPA proposed a regulation that takes a big step toward doing just that. First, the proposal set the 2022 RFS obligation at 15 billion gallons of conventional biofuel, returning demand to that required by the statute.

Second, the proposal augmented the RFS volumes in 2022 and 2023 with an additional 500 million gallons of blending requirements in accordance with a court order to restore illegally waived gallons in 2016. This is an important step toward recovering some of the demand destruction from the Obama years.

Third, EPA's proposal includes a denial of 65 pending RFS small refinery exemption petitions, representing 2.6 billion gallons of required renewable fuel blending the Trump EPA was prepared to exempt. Moreover, EPA proposed to bring transparency to the refinery exemption process, and to reallocate any potential volumes forgone by future exemptions.

However, in the same rule EPA somewhat inexplicably proposed to reach back in time and lower the 2020 RVO numbers that were finalized back in December 2019. The agency—which had previously and repeatedly said this sort of retroactive change was outside the law—blamed the pandemic's effect on fuel demand. However, the 2020 volume had already been automatically reduced to accommodate the impact of reduced demand and did not need a further cut.

## THE END OF SMALL REFINERY EXEMPTIONS?



Source: EPA, as of 1/20/22

As 2022 began, RFA was working overtime to ensure the positive elements of EPA's proposals would be finalized, and the negative aspects would be improved or removed.

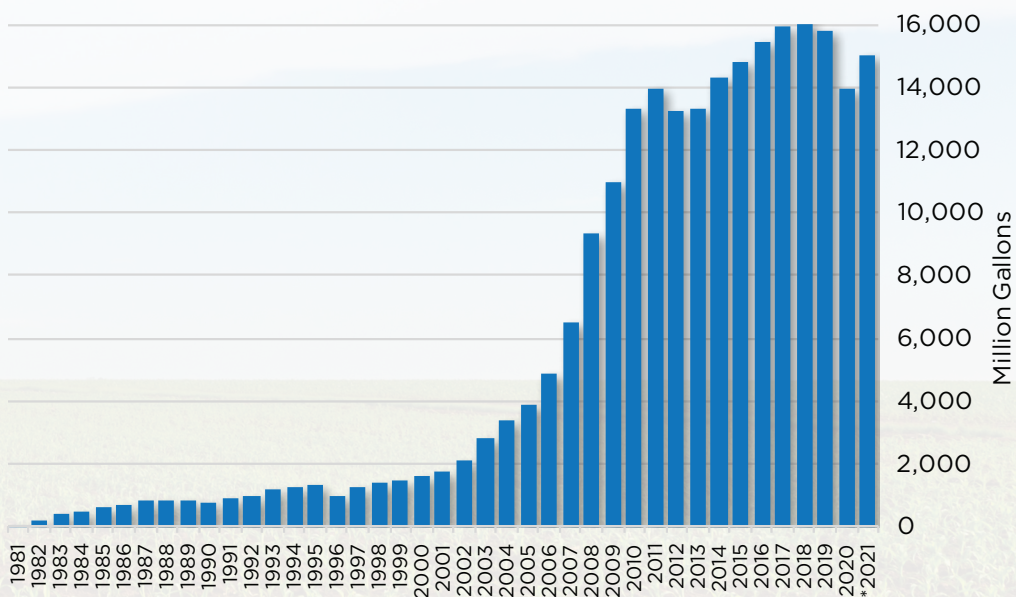
This will be an important year for the RFS, as 2022 is the last year for which Congress specified RFS volumes, and EPA must promulgate a "Set Rule" establishing renewable fuel volumes for 2023 and beyond. RFA and our allies will be working to assure the RFS continues to be a market driver for ethanol and advanced biofuels, lowering consumer gasoline costs, providing a critical value-added market for farmers, and dramatically lowering carbon emissions from the transportation sector.

#### HISTORICAL BIOREFINERY COUNT & PRODUCTION CAPACITY

Year	Installed Ethanol Biorefineries	Total Installed Production Capacity (mgy)	Average Capacity per Biorefinery (mgy)
2001	61	2,738	45
2006	110	5,493	50
2011	209	14,818	71
2016	213	15,998	75
2021	208	17,655	85

Source: RFA \*As of December of each year specified

#### HISTORICAL U.S. FUEL ETHANOL PRODUCTION



Sources: RFA and U.S. Energy Information Administration

\* Estimated